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ACCOUNTING THEORY AND PRACTICE

PRINCIPLES OF ACCOUNTING

Practice Problems

1930 Series

By

ROY B. KESTER, PH.D.

CERTIFIED PUBLIC ACCOUNTANT; PROFESSOR OF ACCOUNTING,
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APPENDIX A—FIRST SEMESTER

PRACTICE WORK FOR STUDENT

Two complete sets of practice material are provided, the one in Appendix A, the other in Appendix B. The material in either Appendix will be found sufficient in quantity for a 90-hour—or even longer—course of instruction. If less time is available, the amount assigned should be somewhat less than the full amount under each chapter assignment here given.

The Practice Work is classified by Chapters—e.g., Assignment 1 in either Appendix relates to the principles developed in Chapter 1 of the text, etc. The plan in accordance with which the text has been developed schedules Chapters 1–20 and Practice Assignments 1–20 for the work of the first semester and Chapters 21–40 and the corresponding Practice Assignments 21–40 for the second semester. No attempt has been made to schedule these assignments on a class session or weekly basis. At the School of Business of Columbia University they are fitted into a school year of 30 weeks. The author will be glad to furnish a suggested schedule for use under such a plan.

Accounting principles cannot be mastered without adequate practice work. Practice work cannot be properly done unless the principles on which it is based have been developed and explained. Practice work should, so far as possible, follow closely after the explanation of new principles. This applies particularly to the introductory work of the first half-year.

The practice work for the first half-year consists largely of disconnected problems. However, a few longer problems running through several assignments are included. Effort has been made to keep to a minimum the purely mechanical work of computation. While emphasis should always be placed on the principles involved, the need for accuracy should not be lost sight of; accountancy requires accurate and, where possible, proven results.

Of the budget of stationery provided for this work, the loose-leaf supplies—statement, journal, and ledger paper—are largely for the first half-year's work. The three-column paper is to be used for balance sheet and profit and loss statements, unless other directions are given for particular assignments. The use of journal and ledger paper is indicated where necessary. Observance of directions given and of forms to be followed, together with careful and accurate work in drafting solutions, will save much time in the location and correction of errors.

Assignment 1

1. On December 31, 19—, Bliss Cator has the following assets: cash $2,600, stock of merchandise $13,800, furniture and fixtures $1,600, and delivery equipment $1,030. In addition, he has claims against Charles Weisman for $750, and Wm. Scott for $150. He is in debt to James Keeley for $1,750, and to W. C. Niven for $800. His profit for the year is $4,880, none of which he has withdrawn. Set up a balance sheet.

2. James Cromwell has $40,000 in cash and owns a plot of land and a building thereon, costing $10,000 and $15,000 respectively, with all of which he begins business on July 1, 19—. He immediately makes the following purchases:

Store Fixtures	$10,000
Merchandise	35,000
Auto Truck	2,500

On these purchases he makes the following cash payments:

Merchandise	$20,000
Store Fixtures	7,500
Auto Truck	2,500

He agrees to pay the balance due on merchandise in 30 days and gives his 60-day non-interest-bearing promissory note for the amount due on the store fixtures.

From the above data prepare a balance sheet for Cromwell. State whether his net worth now is different from his original investment and, if not, why not.

3. During the month of July he sold for $44,250 merchandise which cost him $29,500. Of the former amount $29,750 was collected. He paid in cash $10,000 to his creditors, $2,213 for selling expenses, $1,328 for advertising, and $5,310 for miscellaneous expenses. He himself withdrew nothing during the month.

Using the above material and that of Problem 2, prepare a balance sheet for Cromwell. Has his financial condition changed, and, if so, how was it brought about?

4. On December 31, 19—, the following data contain all of the assets, liabilities, and proprietorship of James Dungan, excepting his stock-in-trade: cash $1,252; notes receivable $527.92; due from customers $2,456.09; furniture and fixtures $2,250; delivery equipment $1,400; notes payable $1,560.85; and accounts payable $3,705; proprietorship $7,500.

Determine the amount of his merchandise and set up his balance sheet.

5. The Diamond Savings Bank holds a mortgage on the factory of A. D. Becker. On June 30, 19—, the close of Becker's fiscal year, there is six months' unpaid interest on the mortgage at the rate of 6% per year. From the following data, comprising all of Becker's assets and liabilities excepting the mortgage and unpaid interest, determine the amounts of these items:

Cash	$ 1,126.95	Accounts Receivable	$ 1,154.82
Factory Buildings	12,500.00	Merchandise Inventory	1,139.78
Factory Land	8,000.00	Accounts Payable	5,400.00
Machinery and Equipment	2,490.00	Notes Payable	2,550.00
		A. D. Becker, Capital	14,261.55

Draw up Becker's balance sheet, his profit for the year being $4,261.55

Assignment 2

1. Below is given a statement of the assets and liabilities which James D. Watson employs in his business.

On the banks of a navigable stream Watson owns a plot of ground 200′ x 150′, costing $35,000. On it he has erected a plant for $15,000. To finance the construction, he placed a lien against the property in favor of the Ohio Valley Savings Bank for $7,500. Watson installed stationary operating devices at a cost of $21,975 and hand and machine auxiliary apparatus amounting to $325.50. In the bank he has cash of $1,008.24 and in his safe $25.50.

The Standard Seamless Tube Co. and other customers owe him a total of $8,455.12 on open account and $450 on signed promises to pay.

Watson owes the Colonial Steel Co. $5,852.90 and has accepted drafts drawn against him amounting to $892.50.

His workmen are paid every two weeks, the first week has elapsed, making him liable for wages of $1,967.50.

In his office Watson has desks, chairs, typewriters, safe, etc., valued at $725.

His stock-in-trade totaling $18,965 is composed of, raw materials $8,403.12; partly finished goods $6,220; and finished tubes $4,341.88.

A patent for making seamless steel tubes cost him $3,250.

Classify the above items according to the definitions given in the text and set up a balance sheet, using standard titles. Watson's capital at the beginning of the year was $84,671.33.

2. After Watson's balance sheet had been drawn up according to the data of Problem 1, he discovered that he had failed to take into considera-

tion the following pertinent facts: He had purchased some apparatus for his warehouse and had given his note for $5,000 in payment. He owed the two men employed for its operation 50 cents an hour for 48½ hours for each man. Watson's bookkeeper had a salary of $50 accrued and unpaid.

A lease on adjoining property for further expansion of the plant had been acquired for $1,250.

Fire insurance protection on his plant had been paid for one year in advance $450.

(a) Classify the above items for balance sheet purposes.

(b) Using the data of both Problems 1 and 2, draw up a corrected balance sheet for Watson.

3. To carry out an expansion program, Watson has asked John C. Ault to invest cash in the business equal to his own net interest and so become a partner with him.

The partnership uses $2,900 of this new capital to purchase additional raw material and $2,550 for some partly finished stock.

Warehouse furniture is bought for $125 and a five-ton truck is acquired for $2,000.

Draw up a balance sheet to show the respective interests of each.

4. From the data below, determine the amount of E. N. Gilling's interest and set up a balance sheet for the partnership of E. N. Gilling and Howard S. Jones. The partners share profits equally. Cash $14,500; due from customers $45,000; goods on hand $26,500; owing to creditors $51,500; desks and chairs in sales offices $4,000; two auto trucks for deliveries $1,850; Liberty bonds $8,000; land outside of city for building of Gilling & Jones Co. offices $30,000. The Economy Building and Loan Association had advanced $10,000 on the property in return for a mortgage. Jones' interest in the business is $35,500, of which $5,500 represents his share of the period's profits.

5. From the following data, determine the amount of the surplus and draw up a balance sheet for the B. & D. Larimer Steel Corporation:

Land	$ 35,000	Notes Payable	$ 15,500
Buildings	64,400	Accounts Payable	60,500
Unexpired Insurance	1,400	Stock of Merchandise on Hand	67,850
Accrued Wages	3,075	Due from Customers	38,475
Capital Stock	120,000	Cash	10,000
Office Furniture and Fixtures	4,000	Machinery	50,000
Interest Paid in Advance	355	Mortgage on Plant	40,000
Taxes Due but Not Paid	1,925	Net Profit for the Year	14,575
Marketable Securities	22,895		

Assignment 3

1. A. B. Cornish is a dealer in used passenger automobiles and trucks in the city of Rochester, New York. On June 30, 19—, his financial condition was shown by the following data:

Due to Second National Bank on one-year note, 6%, dated April 16, 19—	$10,000.00
Due to A. M. Smiley	3,886.25
Due to Alan M. Teall	2,650.00
Due to John R. Eastman	1,124.37
Due to American Auto Parts	4,308.11
Due to D. E. McFarlin	2,992.50

On account of used cars sold, he has claims against the following customers:

Andrew Morrison	$ 2,375	Isle-of-View Gardens	$ 3,240
V. L. Rebman	1,450	Sibley, Edwards & Co.	10,487
J. Jerry Joroslaw	900	Moress Importing & Exporting Co.	1,855
American Distributors	2,500	United Radio Manufacturing Co.	1,365
Rutherford Land	3,200		
Berghash Realty Service	4,585		

Against these accounts receivable, he has accumulated a reserve of $3,205 to provide for bad debts.

He also holds the following notes receivable:

Meigo Financial Service, 60-day note, dated May 31, for $1,500 at 6% interest.

S. T. Monroe's note for $2,450 payable on demand, without interest, dated May 15, 19—.

Clinton Graves' $1,350 note, 6% interest, dated April 30, 19—, maturing six months from date of note.

Cash in bank amounts to $8,340.65. His stock of used automobiles and trucks is valued at cost, $14,255. He has gasoline and oil supplies amounting to $275. To his salesmen he is indebted for wages of $336; to his mechanics $164.80. His store furniture and fixtures cost $600, his office furniture cost $1,465, against each of which a 30% reserve for depreciation has accumulated. Liberty bonds owned are $2,000 plus accrued interest $25.

His net profit for the past year was $4,906.12.

Cornish has been negotiating for several weeks with Noah Giband who conducts an auto supply and accessory store directly opposite Cornish's showrooms. They finally come to terms whereby Cornish is to take over Giband's entire business, both the assets and the liabilities. The price agreed upon was the amount of Giband's net worth as shown by the following data:

Cash on Hand	$ 645.20	Unexpired Insurance	$ 125.50
Stock of Merchandise	16,434.50	Accounts Payable	9,680.75
Store and Office Furniture and Fixtures	2,580.00	Accrued Wages	325.60
Prepaid Rent	400.00	Notes Payable	1,200.00

The transaction is consummated the same day, Cornish giving Giband a check for $978.85 and four notes of $2,000 each, all dated July 1, and maturing in six, nine, twelve, and fifteen months respectively.

On the basis of the above, make a financial statement of Cornish's combined used-car and auto accessory business as of July 1, 19—.

2. From the following information taken from the accounting records of Reid & Reid on June 30, 19—, draw up a properly classified balance sheet:

Office Supplies on Hand	$ 250.89	Furniture and Fixtures.	$ 6,920.00
Merchandise	30,600.40	Depreciation Reserve Buildings	8,875.00
Accrued Interest on Notes Receivable	34.60	Depreciation Reserve Furniture and Fixtures	3,141.00
Unexpired Insurance	110.00	Accounts Payable	10,815.62
Notes Receivable	1,720.00	Mortgage Payable	40,000.00
Cash on Hand	7,792.53	Notes Payable	4,000.00
Land	45,000.00	Accrued Interest on Notes Payable	55.00
Accounts Receivable	22,881.40	Accrued Taxes	122.50
Buildings	48,500.00	Accrued Wages	275.00
Reserve for Doubtful Accounts	683.24		

John C. Reid's net worth is $61,375.60, of which $6,375.60 represents his 40% share of the profits for the year. His brother, W. B. Reid, receives a 60% share of the profits.

3. The Driscoll Co. is capitalized at $25,000. It has on December 31, 19—, outstanding obligations on open account of $5,621.75 and on its notes $8,341.37. It owns property as follows:

Merchandise	$ 5,339.40	Machinery and Tools	$10,000.00
Cash	3,100.45	Furniture and Fixtures.	1,590.00
Notes Receivable	2,500.00	Real Estate	15,925.00
Farmer's Deposit Bank Stock	2,000.00	Auto Trucks	1,500.00
		Due from Trade Debtors	11,592.76

It is estimated that from the above stated values, machinery and tools have depreciated 12½%, furniture 10%, real estate 4%, and auto trucks 25%, and that 2% of the outstanding accounts cannot be collected.

Accrued payroll amounts to $425 and unpaid taxes $325.

Interest earned but not due amounts to $150. The company's net profit for the past year amounted to $4,675.43.

Prepare a classified balance sheet.

4. (a) What is the amount of the working capital as determined by the following balance sheet of The Acme Co. on March 31, 19—:

Real Estate	$15,000	Notes Payable	$12,000
Patents	5,000	Reserve for Doubtful Accounts	3,850
Buildings	50,260	Accounts Payable	25,502
Cash	12,320	Depreciation Reserve Buildings	21,500
Inventories	28,200	Profit for the Year	11,369
Accounts Receivable	46,200		
Capital Stock	40,000		
Bonds Payable	25,000		

(b) From the accounting records of The Acme Co. one year later, the following data are taken:

Real Estate	$18,000	Notes Payable	$25,000
Patents	8,000	Reserve for Doubtful Accounts	4,200
Buildings	66,620	Accounts Payable	32,620
Cash	10,200	Depreciation Reserve Buildings	30,240
Inventories	37,590	Net Loss for the Year	16,678
Accounts Receivable	44,100		
Capital Stock	50,000		
Bonds Payable	30,000		

(a) What is the company's working capital for the current year?

(b) What is the ratio of the company's current assets to its current liabilities?

(c) Is this ratio better this year than last year?

(d) What portion of the entire capital is in the form of working capital?

(e) Is this better than last year?

Assignment 4

1. Ralph Clark began the year with a capital of $9,000. At the end of the year his total assets were $25,000, his liabilities $10,000, and his net worth $15,000. In accordance with the form shown in Chapter 2, page 22—or such modification of it as you may deem desirable to express all the pertinent facts—set up the net worth section of his balance sheet under each of the following conditions:

(a) During the year there were no withdrawals and no contributions of capital.

(b) During the year Clark withdrew $2,000.

(c) The profit for the year was $3,000 and there was no withdrawal.

(d) There was a net loss of $1,000 from the year's operations and Clark withdrew $2,500.

2. (a) Harold Carr began business with a capital of $50,000. During the year he invested $3,000 additional in cash and withdrew $1,200 in merchandise for his personal use. At the end of the year his net worth amounted to $46,800 What was the result of his business operations during the year?

(b) Harry Peterson began business with assets worth $70,000, and liabilities amounting to $30,000. His net profit for the year amounted to 8% of his capital at the beginning of the year and his liabilities at the end of the year had decreased 10%. Set up Peterson's balance sheet at the end of the year, explaining the changes that took place, assuming that there were no additional investments or withdrawals.

3. On December 31, 19—, the books of Samuel Briggs revealed the following facts:

Cash	$ 12,675	Sales	$225,600
Accounts Receivable	62,375	Selling Expenses	35,780
Accounts Payable	29,775	General Administrative Expenses	19,490
Mortgage on Building	15,000	Other Expenses	4,960
Merchandise on Hand December 31	56,625	Withdrawals by Briggs	6,260
Accrued Expenses	5,450	Purchases of Merchandise	200,000
Store Building	25,000	Merchandise Inventory, January 1	16,805
Capital at Beginning of Year	$107,520		

Draw up a balance sheet with the net worth section expanded to show the operations for the year.

4. (a) On July 1, 19—, Wyn Ames Porter had merchandise on hand valued at $86,600, and he purchased $274,980 worth during the year. Twelve months later the inventory amounted to $106,720. What was the amount of the sales if the gross profit margin was $97,250?

(b) During the year Porter had incurred the following expenses to carry on his business: salesmen's salaries $17,000; rent $19,750; depreciation on buildings $5,600; interest $5,920; insurance $2,250; and advertising $2,930.

Make up a statement showing the profit for the year.

5. Robert Hastings began business on July 1, 19—, with the following assets and liabilities: cash $20,000; merchandise inventory $15,000; accounts receivable $12,000; accounts payable $12,000.

During the following six months his net worth increased 14-2/7%, due to the sale of merchandise at 66⅔% above its cost of $12,000. His expenses, all of which were paid in cash, were 60% of his increase in net worth and his liabilities at the end of the six months increased 50% of his net profit. The increase in the inventory equaled the increase in his net worth, whereas the cash balance increased in amount equal to the amount of his expenses.

There were no cash withdrawals or investments during the period.

Prepare a balance sheet for Robert Hastings as of December 31, 19—, and show in the net worth section how the increase resulted.

Assignment 5

1. During the year 19—, Woodin & Frye made sales amounting to $150,000, of which, however, $10,000 were returned as being unsatisfactory. Their purchases were $88,100, and freight on purchases was $900; the cost of goods sold was 60% of the net sales; and final inventory was $30,000. Expenses were: sales salaries $14,760; advertising $15,000; delivery expense $2,350; office salaries $5,000; rent $2,400; insurance $500; depreciation $1,000; office supplies $600; salaries of typists and bookkeepers $3,000; collection costs $1,500; and bad debts $500. A delivery truck valued at $875 at the beginning of the year, was sold for $725 during the year.

Draw up a pro forma * statement of profit and loss for the year ended December 31, 19—. J. B. Woodin received, according to agreement, 70% of the profits and T. S. Frye 30%.

2. From the following data, prepare a profit and loss statement for L. F. Wible for the period April 1, 19—, to June 30, 19—:

Inventory April 1, 19—	$14,732.40	Buying Expense	$195.00
Sales Returns and Allowances	91.35	Advertising	300.00
Purchases	10,547.45	Rent	450.00
Sales	17,608.23	Salaries of Salesmen	519.99
In-Freight and Cartage	807.30	Shipping Supplies	90.00
Inventory June 30, 19—	13,979.24	Traveling Expenses—Salesmen	369.75
Purchase Returns and Allowances	683.70	Office Supplies	195.00
Sales Discount	720.00	Purchase Discount	767.16
Telephone and Telegraph	69.90	Insurance	37.50
Interest Income	45.42	Interest Expense	325.00
Office Salaries	324.99	Shipping Expense	435.41
		Bad Debts	795.00

3. The net sales of Stanley Bennett for the year 19— were $75,600. Out of each dollar received from sales, the amount of 60 cents was paid for the cost of merchandise sold, 8 cents for salesmen's salaries, 4 cents for delivery expenses, 3 cents for advertising, 1 cent for depreciation of delivery equipment, 2 cents for office salaries, ½ cent for office expenses, 0.6 cents for telephone and telegraph, 0.3 cents for stationery and printing, 3 cents for rent, 1.6 cents for insurance, 2 cents for interest, ½ cent for bad debts, and 3 cents for sales discounts. The equivalent of 3 cents of each sales dollar was earned through purchase discount and 1½ cents from interest income. The inventory at the end of the period was one-fourth of the cost of sales and was less than the beginning inventory by $1,500.

Prepare a statement of profit and loss for the year.

4. The following data have been taken from the books of the Raymer Bros. Furniture Co.: inventory January 1, 19—, Dept. A $122,000, Dept. B $68,000; purchases, Dept. A $150,000, Dept. B $79,000; purchase returns and allowances, Dept. A $5,000, Dept. B $3,000; inventory December 31, 19—, Dept. A $109,000, Dept. B $71,000; in-freight and cartage, Dept. A $7,000, Dept. B $4,000.

Prepare a statement showing the cost of goods sold for each department and in total for the year.

5. The following information is given by the books of the Excelsior Manufacturing Co. on June 30, 19—.

Sales Returns and Allowances	$ 100,000
Purchases	2,500,000

* A pro forma statement is one drafted in accordance with the correct form illustrated in the text.

Sales	3,250,000
Purchase Returns and Allowances	50,000
Gross Profit	25% of net sales

(a) Determine the respective amounts of the inventories of January 1, 19—, and of June 30, 19—, if the former is 20% of the net purchases and is also $87,500 less than the latter.

(b) Set up a pro forma statement showing the gross profit.

Assignment 6

1. The following balance sheet and statement of profit and loss set forth the results of the business operations of William Carr during his first year ended June 30, 19—.

BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash			$ 19,500
Notes Receivable			8,750
Accounts Receivable	$25,523		
Less: Reserve for Doubtful Accounts	510		25,013
Merchandise Inventory			25,560
Prepaid Expenses:			
Rent	$ 405		
Insurance	180		
Interest	45	630	$ 79,453
FIXED ASSETS:			
Delivery Equipment	$ 2,500		
Less: Depreciation Reserve	500	$ 2,000	
Furniture and Fixtures	$12,560		
Less: Depreciation Reserve	1,256	11,304	13,304
TOTAL ASSETS			$ 92,757

Liabilities

CURRENT LIABILITIES:		
Notes Payable	$ 4,500	
Accounts Payable	21,290	
Salesmen's Salaries Accrued	500	
TOTAL LIABILITIES		$ 26,290

Net Worth

William Carr, Capital:		
At July 1, 19—	$ 55,000	
Profits for the Year	11,467	
TOTAL NET WORTH		$ 66,467

STATEMENT OF PROFIT AND LOSS

Sales		$154,385	
Less: Sales Returns		1,250	
Net Sales			$153,135
COST OF GOODS SOLD:			
Purchases		$127,650	
Less: Inventory, June 30, 19—		25,560	
Cost of Goods Sold			102,090
Gross Profit			$ 51,045
SELLING EXPENSES:			
Salesmen's Salaries	$12,450		
Advertising	11,591		
Depreciation of Delivery Equipment	500	$ 24,541	
GENERAL ADMINISTRATIVE EXPENSES:			
Office Salaries	$ 4,607		
Office Expenses	794		
Telephone and Telegraph	1,650		
Stationery and Printing	250		
Depreciation of Furniture and Fixtures	1,256		
Rent	5,860		
Insurance	90	14,507	
FINANCIAL MANAGEMENT EXPENSE:			
Interest	$ 540		
Sales Discounts	2,560		
Bad Debts	510	3,610	
Total Operating Expenses		$ 42,658	
FINANCIAL MANAGEMENT INCOME:			
Interest Income	$ 125		
Purchase Discounts	2,955	3,080	
Net Operating Expenses			39,578
Net Profit for the Year			$ 11,467

Set up the data in the two statements in ledger accounts as they would appear on the ledger before the statements were prepared.

2. Set up the following transactions in skeleton ledger accounts, debit and credit:

(1) Purchase of merchandise on account	$2,500	(4) Bought a typewriter	$ 55
(2) Sale of goods for cash	125	(5) Paid salesmen's salaries	70
(3) Paid rent	75	(6) Sold goods on account	750
		(7) Paid creditors	5,000

3. On December 31, the debit side of the cash account in the ledger showed a total of $150,000. If the cash balance was $10,000, what were the expenditures during the year?

Show the account on the ledger.

4. During the year the Aubrey Smith Co. purchased on account $125,000 worth of merchandise. The company returned to the vendors merchandise valued at $5,000. The ledger shows that the company owed creditors $25,000 at the end of the year. How much did the creditors receive in cash during the year if there was no balance at the beginning?

Set up the Accounts Payable account to show all of the above data.

5. The merchandise inventory at the beginning of the year was $9,850. During the year the purchases amounted to $45,000; selling and administrative expenses were $15,000 and $25,000 respectively. Other income amounted to $2,500. The final inventory was $11,250, and the net profit $20,000. Set up the accounts, determine the sales for the period, and draw up a statement of profit and loss.

6. M. J. Harrison presented a claim for $70,000 insurance as a result of a burglary that occurred in his place of business on the night of March 31. To verify his claim the insurance company examined his accounting records and found the following facts:

Inventory, January 1, valued at cost	$ 45,000
Sales to and including March 31	168,000
Purchases from January 1 to March 31	123,470
Average gross profit on sales for several years	30%

Immediately after the burglary an inventory was taken and showed merchandise on hand worth $60,000 at selling prices. From the above facts the insurance company determined that Harrison's claim was not justified and calculated its true amount.

Prepare a statement showing the insurance company's computations.

Instructions

Problem 1. In this solution follow the chart on pages 70-71. For the balance sheet items, one account should be set up for each, excepting the prepaid items. Set these up in a single account entitled Prepaid Expenses and list the three items in it. Do not set up an account for "Profit for the year" as this amount is reflected in the profit and loss accounts appearing in the Proprietorship section of the ledger.

In setting up the profit and loss accounts on the ledger, use an account entitled Cost of Goods Sold and in it enter the amount of the cost of goods sold on the left-hand side. Set up the other items in accounts under their own titles. No accounts will be used for either gross or net profits.

Problem 5. Draft the statement of profit and loss first and then set up the accounts, following the instructions for Problem 1.

Assignment 7

1. Give six examples of transactions involving the increase of the asset cash, so that two of these examples apply to each of the three types of credits illustrated by the schedule on page 79.

Also give six examples involving the increase of liabilities so that two examples apply to each of the three types of debits shown by the schedule on page 79.

2. On June 1, A sells a shipment of goods to B on account. The price is $1,000, subject to a discount of 2% if paid in 10 days. On June 10, B pays $500 on account and gives A his one-year 6% note for $200, dated June 1. B claims a discount of $10 on his cash payment and A agrees to allow it. On June 30 a memorandum is received from B claiming a rebate of $50 because of unsatisfactory goods included in the shipment. A offers to accept the return of the goods which have a gross selling value of $100 and a cost value of $75. He also agrees to accept settlement of the balance of the account for $180 cash. B accepts the offer, returning the goods and sending his check for $180.

Set up the ledger accounts on A's books.

3. The following transactions took place in a wholesale concern:

Sales for cash	$20,000	Wages paid	$ 2,000
Sales Returns	600	Purchases on account	30,000
Cash received from customers	30,000	Sales returns	900
Purchase Returns	400	Sales on account	35,000
Purchases for cash	12,000	Delivery Expense paid	800
Cash paid out to creditors	25,000	In-freight and cartage paid	1,000

Record these transactions, debit and credit, in ledger "T" accounts.

4. The Jersey Shore *Herald* inserted a full page ad for one week for D. A. Bingman Co. at a charge of $250. The editor of the *Herald* bought a suit of clothes from the Bingman Co. for $65 and applied this as part payment for the ad. The *Herald* allowed the Bingman Co. credit for $10 because of an error in printing, and the Bingman Co. paid the balance in cash.

Analyze the above transactions from the *Herald's* viewpoint and name the debit and credit elements of each to show:

(1) The increase or decrease of, assets, liabilities, and proprietorship.
(2) The individual account titles under each of the general groups.

Assignment 8

1. Below is given the balance sheet of S. M. Johnson, as of January 1, 19—:

Assets

Cash	$ 5,000	
Notes Receivable	2,500	
Accounts Receivable	30,075	
Merchandise Inventory	5,675	
Furniture and Fixtures	5,000	
Land	7,500	
Building	37,500	
Total Assets		$93,250

Liabilities		
Notes Payable	$ 3,400	
Accounts Payable	39,825	
Mortgage Payable	25,000	
Total Liabilities		68,225
Net Worth		
S. M. Johnson, Capital		$25,025

The following transactions take place:

Customers pay on account	$20,000
Received cash for note receivable	1,250
Wages paid	1,500
Creditors paid on account	18,765
Six months' interest on mortgage paid	750
Johnson withdrew in cash	2,000

Set up the balance sheet on the ledger in the form of "T" accounts and enter the above transactions, setting up any additional accounts considered necessary.

2. The Alabama Hosiery Co. balance sheet as of January 1, 19—, was as follows:

Assets		
Cash		$ 25,000
Notes Receivable		38,500
Accounts Receivable		166,250
Merchandise Inventory		85,000
Land		10,000
Building		75,000
Total Assets		$399,750
Liabilities		
Notes Payable	$ 50,000	
Accounts Payable	155,000	
Mortgage Payable	50,000	
Total Liabilities		255,000
Net Worth		
Capital Stock	$100,000	
Surplus	44,750	$144,750

During the year the following transactions occurred:

Sales to customers on account	$300,000	Cash paid for:	
Sales returns	16,500	Interest on mortgage	$ 3,000
Purchases on account	235,000	Interest on notes payable	250
Depreciation of building	1,875	Sales salaries	10,000
Cash received from:		Office salaries	4,500
Notes receivable due from customers	35,000	Advertising	2,500
Customers	310,000	Notes payable	45,000
Interest on notes receivable	200	Merchandise creditors	245,000
		Stationery and supplies	475
		Insurance for the year	600
		Telephone and telegraph	300

Set up the balance sheet of the company on the ledger and enter the above transactions on the books of the company. From the ledger as completed prepare a balance sheet and statement of profit and loss for the year, assuming that the final inventory amounts to $88,750.

3. Analyze the following transactions and name the debit and credit elements of each to show:

(1) The increase or decrease of assets, liabilities, and proprietorship.
(2) The individual account titles under each of the general groups.

There is a credit balance of $5,500 in the profit and loss account. The balance of cash on hand is $4,500 and J. L. Henry's capital account is $25,000.

Henry withdrew $1,500 in cash and out of his personal funds paid the following items for his business:

Heat and electric light	$ 89.45
Water bill	30.00
Store rent	350.00
Printing and stationery	26.50
Trade Association dues	10.00

He retained for personal use the following cash receipts of the business:

Income from the sale of scrap	$75.00
Interest received on notes receivable	3.75
Rent of desk room	50.00

The business paid $425 for painting Henry's residence.

Set up accounts with Profit and Loss: Cash; J. L. Henry, Capital; J. L. Henry, Personal; and such other accounts as you deem advisable. Enter the above data, debit and credit, in the accounts.

Assignment 9

1. The merchandise section of the profit and loss statement of Samuel Barry was as follows:

Sales		$49,250	
Less: Returns and Allowances		765	
Net Sales			$48,485
Cost of Goods Sold:			
Inventory at July 1, 19—		$11,987	
Purchases	$35,460		
Less: Returns	2,465	32,995	
Total		$44,982	
Inventory at June 30, 19—		12,658	
Cost of Sales			32,324
Gross Profit			$16,161

Set up the above data in suitable ledger accounts, and transfer the amounts relating to the cost of merchandise sold to a Cost of Goods Sold account.

2. Frederick Jerome records all of his dealings in merchandise in a single merchandise account. During the period he made sales amounting to $51,695, purchases $50,076, and purchase returns $1,540. He paid $895 for freight on merchandise received. Customers returned $789 worth of merchandise. His inventory at January 1, was $20,650 and the loss on trading for the first three months amounted to $5,675.

Set up the above merchandise account and show the inventory of March 31 therein.

3. The following data set forth the trading transactions of Harvey Emerson for the year 19—: sales $102,575; sales returns and allowances $8,975; inventory, January 1, $13,700; purchases $76,575; purchase returns $2,875; inventory on December 31, $17,500; and freight paid on purchases $745.

In June of the same year merchandise costing $7,500 was destroyed by fire. The amount of $5,600 was received from the insurance company to cover the loss.

Show the above transactions recorded in suitable ledger accounts.

4. On January 15, 19—, a tract of land was purchased for $30,000. The costs of searching title and unpaid taxes at the time of the purchase amounted to $800 and $350 respectively, which were paid. On March 1, a new road was completed through the tract at a cost of $1,250. On August 1, assessments were levied for the state highway amounting to $3,280. Half the land was sold on December 10 for $18,500.

Name the debits and credits of each of these transactions and set up the Land account.

5. A knitting machine was bought on January 1, 1925, for $3,000. Freight charges were $180 and cartage cost $20. The labor of installing the machine amounted to $100. Annual depreciation was taken at the rate of 10% of original cost. The machine was sold on December 31, 1929, for $800.

Show the above transactions as they would appear in the ledger.

Assignment 10

1. Using a Cash account, record in it such parts—or all—of each of the following transactions as pertain to it:

April

1. James McDonough began business with the following assets and liabilities: cash $15,000; merchandise $4,500; account against H. Hettrick $1,500. He owed J. Groves on account $900.
2. Paid rent of store $600 to W. Rinehart.
10. Bought of Wm. Nye, 2/10, n/30, invoice of merchandise $3,000.
15. Sold to M. MacDonald, terms cash, bill of merchandise $2,400.
18. Paid Wm. Nye by check $2,940 in full payment of invoice of 4/10, less discount.

19. Bought of Wm. Nye, terms one-half cash, balance on a 10-day note, invoice of merchandise $5,400.
20. Received from H. Hettrick check in full of account.
25. Paid salaries in cash $900.
29. Paid note in favor of Wm. Nye $2,700 and interest $4.50.
30. Borrowed $2,000 from A. Moore Smith and gave him a note for it.

Balance the cash account and show it properly ruled.

2. Set up an account with Edgar Robinson, a customer, and record the following transactions in it:

March

1. Balance due from him $456.25.
10. Cash received $447.12. Discount allowed $9.13.
14. Sold him merchandise, terms 2/10, n/30, for $256.85.
17. He returned merchandise for $45.39.
24. He paid $207.23 in cash and was allowed a discount of $4.23.
25. Sold him merchandise, terms 2/10, n/30, for $510.

Balance and rule off the account, as of March 31.

3. On April 1, 19—, Robert Canning began business with the following assets and liabilities: cash $3,849; inventory of stock-in-trade $24,568; land $7,800; building $22,500; mortgage on land and building $12,000.

During the following three months he sold $58,976 worth of merchandise of which $8,500 was sold for cash and the remainder on account. He received $1,890 in non-interest-bearing notes from his customers. On June 30, the balance still due from customers amounted to $29,283.

During the same period he purchased merchandise for $35,642 on account. He gave his non-interest-bearing notes for $1,570 to some creditors and to others he paid $16,402 in cash.

He paid the following additional items in cash:

Repairs to Building	$ 280	Salaries	$3,890
Furniture and Fixtures	2,500	Light and Heat	490
Taxes	275	Telephone and Telegraph	60
Insurance	185		

Record the above transactions in ledger accounts in each of which you are to enter in the explanation column the name of the contra debit or credit account.

Take a trial balance of the ledger as of June 30, and balance the Cash account.

4. The bookkeeper takes a trial balance of the ledger of Peter Harrison on November 30, 19—, and finds it to be as follows:

Cash	$ 20,300	
Notes Receivable	11,500	
Accounts Receivable	40,412	
Reserve for Doubtful Accounts		412
Merchandise Inventory, February 1, 19—	35,000	

Furniture and Fixtures	$5,600	
Depreciation Reserve Furniture and Fixtures		$ 1,400
Delivery Equipment	6,000	
Depreciation Reserve Delivery Equipment		2,750
Notes Payable		1,600
Accounts Payable		27,000
Peter Harrison, Capital		57,070
Peter Harrison, Personal	4,795	
Sales		217,500
Sales Returns and Allowances	2,050	
Purchases	145,000	
Purchase Returns and Allowances		6,105
Freight Inward	1,595	
Salesmen's Salaries	14,500	
Advertising	3,200	
Delivery Expense	4,350	
Office Salaries	6,000	
Office Expense	3,482	
Stationery and Printing	920	
Telephone and Telegraph	735	
Rent	5,500	
Insurance	2,250	
Sales Discounts	1,230	
Interest Expense	1,015	
Interest Income		1,785
Purchase Discounts		1,650
	$315,434	$317,272

You are asked to put the ledger in balance and upon investigation find the following errors:

(1) A sale of $2,500 was entered to the credit of Accounts Payable instead of to Sales account.

(2) The amount of $125 paid for freight was entered to the credit instead of the debit side of the Freight account.

(3) Purchase returns amounting to $125 were entered to the debit side of the Sales Returns and Allowances account instead of to the credit side of Purchase Returns and Allowances account.

(4) A note for $500 received from a customer was entered by mistake to the credit of the Notes Payable account instead of to the debit of Notes Receivable.

(5) $75 paid for office expenses was entered in the Office Expense account as $57, although it appeared as $75 in the cash account.

(6) Harrison withdrew merchandise for his personal use costing $325 which was entered to the credit instead of to the debit side of his personal account.

(7) Interest amounting to $85 was paid on a note payable and was credited to the Interest Income account instead of to the debit of Interest Expense.

Correct the above errors and give reasons for your corrections. Set up a corrected trial balance. See page 271 for methods of correcting errors.

Assignment 11

1. Give two examples each of:

(a) Deferred expense
(b) Deferred income
(c) Accrued expense
(d) Accrued income

Assuming amount balances for these various accounts before adjustment, show the accounts adjusted in accordance with the amounts of the deferred and accrued items used in the above examples.

2. Henry Smith leased a store at an annual rental of $3,600, beginning April 1, 19—, and in turn rents store space to Franklin Garret at a rental of $75 per month beginning June 1, rents being prepaid in both cases.

He uses one rent account for recording the rent paid and received.

On February 28 of the next year, the date of closing his ledger, the Rent account shows a payment of $3,600 and a receipt of $750.

Show each month's entries in the rent account as it appears on the ledger and adjust it as of February 28.

3. Henry Garrison employed five sales clerks at $30 per week, who were paid at the close of the business day on Thursday, a stenographer who also received $30 a week, and a bookkeeper at $36 per week. The latter two employees were paid every Saturday afternoon.

Garrison closed his ledger as of June 30, which fell on a Monday.

Calculate the amount of the salaries which are accrued on June 30 and show the Salaries account properly adjusted. Consider six full days to the week.

4. James Corrigan records his transactions with merchandise in a single account, the items of which are given below as they appeared on April 30, six months after the previous closing.

Merchandise inventory, November 1, 19—	$11,160.00	Purchase returns	$ 1,754.75
Cash sales	15,755.89	Sales returns	965.59
Sales on account	4,856.35	Freight paid on purchases	1,126.42
Purchases	18,455.75		

(a) Set up his merchandise account.

(b) There was a loss on trading of $1,655.74 during the six months. Adjust and close the account, showing the amount of the final inventory.

(c) Using the above data, set up separate accounts for each item. Adjust and close the accounts, using Cost of Goods Sold and Profit and Loss accounts.

5. The following trial balance data were taken from the ledger of S. Carlson on December 31, 19—, the end of the fiscal year:

Cash in Bank	$ 4,703.40
Notes Receivable	592.95
Accounts Receivable	18,191.94
Reserve for Doubtful Accounts	1,027.50
Merchandise Inventory, January 1, 19—	42,815.49
Office Equipment	1,012.50
Depreciation Reserve Office Equipment	101.25
Land	8,500.00
Building	14,000.00
Depreciation Reserve Building	1,120.00
Office Supplies	300.00
Insurance	403.50
Notes Payable	9,000.00
Accounts Payable	8,751.00
Mortgage Payable	15,000.00
S. Carlson, Capital	38,584.55
S. Carlson, Personal	536.50
Sales	164,473.86
Purchases	112,995.30
Freight and Cartage Inward	3,318.18
Sales Salaries	11,970.00
Advertising	9,000.00
Interest Expense	365.00
Delivery Expense	2,768.40
Office Salaries	4,275.00
General Expense	903.75
Taxes	731.25
Interest Paid on Mortgage	675.00

Fire insurance protection for merchandise was purchased on April 1 at a premium of $238.50 for one year. The building was also insured on July 1 for a period of three years at a total premium of $165.

The interest on mortgage is paid semi-annually, April 1, and October 1, at the rate of 6% per annum.

The following additional adjustments are to be made: inventory $32,040; office supplies on hand $150; depreciation on building at 2% per annum, and on office equipment at 10%; bad debts estimated at ½% of net sales; prepaid interest expense $55.

(a) Set up the ledger accounts and record the account balances given above.

(b) Adjust and close the ledger.

(c) Prepare a balance sheet, profit and loss statement, and post-closing trial balance for Carlson.

Assignment 12

1. Make a journal and ledger record of the series of transactions listed below. As a guide to the titles under which the transactions are to be recorded, you are asked to set up the following account titles on the ledger, in the order shown, allotting to each account the number of lines indicated by the numeral following the account title. Use double page journal and ledger paper for this assignment.

Cash	35	Gerald Mangin, Capital	10
Notes Receivable	10	Gerald Mangin, Personal	10
John Kraft	10	Profit and Loss	20
American Specialty Company	10	Sales	30
Kaman & Arvesty	10	Sales Returns and Allowances	10
M. Collins	10	Cost of Goods Sold	20
New York Dry Goods Co.	10	Purchases	25
F. C. Caldwell	10	Purchase Returns and Allowances	10
Reserve for Doubtful Accounts	5	Freight and Cartage Inward	10
Merchandise Inventory	10	Sales Salaries	10
Furniture and Fixtures	10	Delivery Expense	10
Depreciation Reserve Furniture and Fixtures	5	Office Salaries	10
Delivery Equipment	5	General Expense	10
Depreciation Reserve Delivery Equipment	5	Depreciation	10
Notes Payable	10	Expense Supplies	10
S. F. Rowley & Co.	10	Bad Debts	10
C. L. Marx & Co.	10	Interest Expense	10
Moser Manufacturing Co.	10	Sales Discounts	10
John F. Reedy Co.	10	Purchase Discounts	10
		Interest Income	10

Record the following transactions in the journal, debit and credit, being careful to follow the form of journalization shown in the text. Use the transaction number as the date of the current month.

1. Gerald Mangin invested $10,000 cash for the purpose of conducting a wholesale dry goods business.
2. Bought for cash, furniture and fixtures, $400. Bought merchandise from S. F. Rowley & Co. at 2/10, n/30, $645. Bought merchandise from C. L. Marx & Co. at n/30 days, $360.
3. Bought stock of neckties from Moser Mfg. Co., $180, paying $80 in cash, balance due in 30 days. Bought office typewriter and desk for cash, $150. Paid $35 for store and office supplies.
4. Bought light delivery truck $535 f.o.b. Buffalo, plus $110 for freight and taxes. Paid $345 in cash and gave our 60-day note with interest at 6% for the balance of $300. Cash sales were $150.
6. Bought merchandise, $850, from John F. Reedy Co., giving $425 in cash, balance on account; from Moser Mfg. Co. merchandise on account, amounting to $435. Freight on purchases, $35, was paid in cash. Sold John Kraft merchandise, $420 at 2/10, n/30. Sold American Specialty Co. merchandise for $660, receiving $330 in cash and a 30-day 6% interest-bearing note for the remainder.
7. Paid sales salaries $80, bookkeeper $35, truck driver $30. Bought merchandise from C. L. Marx & Co. for $947, paying $347 cash, balance on account. Sold Kaman & Arvesty merchandise for $385, terms 2/10, n/30. Paid $25 for gasoline and oil.
8. Sold M. Collins $240 of merchandise and received check in payment. Paid Credit Men's Association dues for 1 year, $25.

9. Sold New York Dry Goods Co. merchandise for $325, n/10. Bought on account from S. F. Rowley & Co. merchandise of $835. Paid $75 for coal.
10. Sold F. C. Caldwell $487 of merchandise, receiving $187 in cash, balance on account. New York Dry Goods returned $65 of merchandise sold them on the 9th as unsatisfactory. Paid freight on merchandise purchases, $20. Bought of C. L. Marx & Co. $1,200 of additional stock-in-trade, terms 2/10, n/30.
11. Cash sales amounted to $845. Paid S. F. Rowley & Co. invoice of the 2nd, less 2%. Bought $660 of merchandise from John F. Reedy Co. at n/30 days.
13. Returned damaged merchandise of $120 to John F. Reedy Co. purchased on the 11th. Sold American Specialty $420 of goods at 2/10, n/30.
14. Mangin withdrew $500 cash for personal use. Paid electric light bill of $14. Paid salesmen $80, bookkeeper $35, and truck driver $30. Sold M. Collins $340 of merchandise, receiving in payment a check for full amount less 3%. Bought merchandise for cash, $550.
15. Paid Moser Manufacturing Co. balance due on invoice of the 3rd, less special discount of 2%. Sold New York Dry Goods Co. $625 of merchandise at 1/10, n/30. Paid $35 for stationery and postage stamps. Bought for $600 cash additional stock-in-trade.
16. Paid $50 for gasoline and oil supplies. Bought merchandise of Moser Mfg. Co. $800, giving check in payment, in consideration of special cash discount of 3%. John Kraft paid his bill of the 6th, less 2%.
17. Paid $125 for insurance on store and contents; paid membership dues in Merchants Association, one year, $50. Bought from John F. Reedy Co. $1,200 of merchandise, terms 2/10, n/30. Sold M. Collins $600 of goods, at 2/10, n/60.
18. Cash sales for the week were $1,400. Paid Moser Mfg. Co. $435 in full payment of invoice of the 6th. Paid $425 to John F. Reedy Co., in full of invoice of the 6th. Kaman & Arvesty paid their bill of the 7th less 2% discount. New York Dry Goods Co. remitted $260 for bill of the 9th.
20. Sold Kaman & Arvesty merchandise of $800, terms 2/10, n/30. Bought merchandise for cash, $600. Paid for telegrams to date $20. Paid C. L. Marx invoice of 10th, $1,200, less 2%.
21. Kaman & Arvesty claimed the goods sold them on the 20th were damaged. Made them an allowance of $50. Paid salesmen $80; bookkeeper $35; truck driver $30.
22. Sold New York Dry Goods Co. $1,100 of merchandise, n/30 days. Bought merchandise for cash $500.
23. Mangin withdrew $500 of business funds for personal use. Sold M. Collins merchandise of $900, receiving $300 in cash and his 10-day non-interest-bearing note for remainder.

24. F. C. Caldwell remitted $300 in payment of our invoice of the 10th. American Specialty Co. paid invoice of 13th, $420 less 2%.
25. Cash sales for week were $1,250. New York Dry Goods Co. paid bill of 15th, $625 less 1%.
27. Paid John F. Reedy, invoice of 17th, $1,200 less 2%. Paid R. G. Dun $50 for credit service. Sold M. Collins $650 of merchandise at n/30.
28. Bought of C. L. Marx & Co. $950 of merchandise at 2/10, n/30. Paid salesmen $80; bookkeeper $35; driver $30.
29. Merchandise purchases for cash were $875. Repairs to delivery truck were paid in cash, $25.
30. Sales on account, M. Collins $450; F. C. Caldwell $675. Paid cash for office safe, $150. Bought from John Kraft, store fixtures valued at $100, Kraft taking merchandise of the same amount in payment.

Post the above journal entries to their accounts in the ledger and take a trial balance of the ledger, recording it on a single page journal sheet.

Assignment 13

1. Enter the following transactions of Lewis & Clark Co. in a purchase journal:

June

1. Bought of Marks & Fuller, terms 2/10, n/30, merchandise for $625.28.
3. Bought of Hibbard & Co., on account, merchandise for $396.44.
4. Bought of Weed & Co., terms n/30, merchandise for $762.45.
6. Bought of L. C. Smith & Sons for cash, merchandise for $243.20.
8. Bought of D. R. Whittle, terms n/30, merchandise for $200.
10. Bought of Berger Bros., terms 3/10, 1/30, n/60, merchandise for $247.60.
11. Bought of D. R. Whittle, terms n/30, merchandise for $227.80.
13. Bought of Weed & Co., terms 1/5, n/10, merchandise for $310.40.
14. Bought of J. F. Haverstick, terms n/10, merchandise for $678.84.
15. Bought of National Tool and Wire Co., on account, merchandise for $114.25.

Summarize and rule the purchase journal. Open the necessary ledger accounts and post completely. Prove the accuracy of your work by means of a trial balance.

2. Enter the following transactions of the Peabody, Clements & Co., in a sales journal ruled for two departments, Prescription and General.

March

1. Sold Cramer Drug Co. at 2/10, n/30, Prescription $124.65; General $65.38.
2. Sold Kleinhaus & Co. at n/30, Prescription $21.20; General $89.45.

3. Sold Paine Drug Co. at 2/10, n/30, Prescription $326.80; General $147.80.
5. Sold H. J. Newman for cash, Prescription $166.20.
5. Sold M. N. Liberman at n/30, Prescription $76.55; General $31.35.
6. Sold Orange Fount Drug Stores, Inc., at 2/10, n/30, General $348.50.
8. Sold McGillicudy & McAndle at n/30, Prescription $71.70; General $134.25.
9. Sold M. N. Liberman at n/30, Prescription $126.00; General $16.40.
10. Sold Alexander Hill & Co. for cash, General $82.20.
11. Sold Paine Drug Co. at 2/10, n/30, Prescription $245.70; General $122.25.
12. Sold Cramer Drug Co. at 2/10, n/30, Prescription $96.80.
13. Sold McGillicudy & McAndle at n/30, Prescription $121.00; General $61.80. Sold H. J. Newman for cash, Prescription $64.53.

Summarize and rule the sales journal and post completely. Prove the accuracy of your work by means of a trial balance.

3. Enter in a sales journal and in a purchase journal those transactions of Gerald Mangin (Problem A-12) that should appear in those journals and summarize them.

Assignment 14

1. The following transactions are to be entered in a two-column cash receipts journal and posted, where necessary, to ledger accounts.

May

1. Received from J. R. Dupont & Co. on account $642.50; John H. Law $183.40. Cash sales $362.90.
2. Received from E. D. Wynne on account $282.63; E. F. Gibbs $86.75. Cash sales were $224.60.
3. Cramer-Force Co. paid their note of $500 due today with interest $10. Cash sales were $194.22.
4. Lee and Edwin paid invoice of April 4, $75.80. Received $100 from Robert Bros. to apply on account. Cash sales were $235.84.
5. A. K. Foster paid $150 on account of his non-interest-bearing note due today. Received $54.20 from E. D. Wynne for commission on goods sold for him. Cash sales were $130.70.
6. Received from E. F. Gibbs, to apply on account $100; John H. Law $125. Cash sales were $348.62.

Summarize and post to a cash account, as of May 6.

2. Enter the following transactions in a two-column cash disbursements journal and post daily to ledger accounts:

May

1. Paid J. C. Shayne & Co. on account $232.50; Marquis Dress Goods Co. $168.75. Bought postage stamps and envelopes $46.50.

2. Paid Milgrim Clothing Co. on account $150. Bought stationery and billheads $61.75. Paid Rapp Trimming Works invoice of April 2, $44.60.
3. Paid Cadwalader & Co. on account $132.45; Midtown Trimming Co. on account $50. Paid salesmen's salaries $275.
4. Paid Abercrombie and Hammacher on account $117. Paid telephone bill for April $29.65. Paid New York Cloak & Suit Co. $65.85. Our note #25 for $950 became due and was paid with interest $9.50.
5. Paid April bill for gas and electricity, $32.54. Paid rent May 15 to June 15, $249.50. Paid Hardart Novelty Co. on account $115.
6. Paid Boston Garment Co. invoice dated April 6 in full $67.80; Greenberger & Sons on account $35. Paid office salaries: bookkeeper $40; stenographer $35; clerk $30.

Summarize and post total disbursements for the week to the ledger Cash account used in Problem 1.

3. The transactions listed below are to be entered in a two-column cash book—i.e., cash receipts and cash disbursements bound together. Use a double sheet of journal paper. Make daily postings to the ledger.

May

8. (Balance from transactions of previous week) $868.77. Paid Milgrim Clothing Co. on account $125; Marquis Dress Goods Co. $40. Received on account from Lee & Edwin $110; A. K. Foster $180. Cash purchases were $318.25.
9. Paid J. C. Shayne & Co. invoice of April 9, $163.50; Cadwalader & Co. on account $125. Received on account from E. F. Gibbs $225; from E. D. Wynne in payment of our invoice of April 15, $186.75. Cash sales were $463.75.
10. Paid salesmen's salaries $225; delivery service $115. Received on account from Cramer-Force Co. $250; and John H. Law $100. Received rent from sublet portion of store $75.
11. Paid Abercrombie and Hammacher on account $125; New York Cloak & Suit Co. $100. Paid freight and drayage on purchases $36.78. Received on account from Roberts Bros. $175. Cash sales were $589.35.
12. Paid for telegrams, $23.25; advertising $60. Received from McCormack & Deering $183.50 in full payment of our invoice of April 27. Received payment on note of J. F. Gallagher $500 and interest $7.50.
13. Paid Farsyte & Soames Co. $125 on account. Paid bookkeeper $40; stenographer $35; clerk $35. Received from J. R. Dupont & Co. in full of account to date $167.88. Proprietor B. S. Garlock, withdrew $50 for personal use. Cash was short $1.82.

Summarize and balance the cash book and post summary entry to the cash account used in Problems 1 and 2.

4. Enter in a combined cash receipts and disbursements journal all transactions of Gerald Mangin (Assignment A-12) which should appear therein and summarize and post those journals.

5. Enter the following transactions in a combined Cash Receipts and Cash Disbursements journal, the former having Sundry, Accounts Receivable, Sales Discount, and Net Cash columns, the latter Sundry, Accounts Payable, Purchase Discount, and Net Cash columns:

August

1. Cash balance $837.46. Received $150 from A. N. Woodridge to apply on account. Paid $25 for office supplies.
2. Paid H. W. James' invoice of July 23, $247.50 less 2%. Received payment on M. Douglas note dated July 2, for 1 month, $300 with interest at 6%.
3. Paid $120 for insurance on stock of merchandise. Paid telephone bill $15; typewriter repairs $10.
4. Paid rent for August $100. Received $87.25 from Willis & Co. in payment of invoice of July 5.
5. Paid John Screivener $75 to apply on account. Gasoline and oil for trucks cost $54.20.
6. Received interest on Liberty bonds $21.25. Stationery and billheads were paid in cash $31.50; wrapping paper $12.50. Received check from R. H. Gardner & Son for invoice of July 5, $185.24, less 1%.
8. Paid office salaries $70; sales salaries $110; delivery expense $30. Paid J. L. Macy for merchandise bought today $63.40.
9. Received payment from A. T. Stewart for bill of goods sold him on July 30, $162.50, less 2%. Paid our note of $100 given to A. Edwards & Son with interest of $2.
10. Bought coal for cash, $50. Paid $12.80 for telegrams. C. A. De Forest paid his note for $200 due today, with interest $3.
11. Received from Halloran & Saks payment of our invoice of the first, $238.50 less 2%. Paid James, Field, and Dineen on account $100; Joseph Wecksler Co. invoice of July 22, $84 less 1%.
12. Received interest on bond investments $200. Received from Sugden & Smith on account $250. Paid advertising bill $85; office supplies $32.75. Paid freight and hauling inward $26.28.
13. Received from R. H. Gardner & Son payment on invoice of August 3, $270.45 less 2%; from H. W. James on account $184.20. Paid J. L. Macy on account $84.25; John Screivener balance of account $156.20. Paid for calculating machine $130; repairs to elevator $36; repairs to delivery trucks $18.75. Paid office salaries $70; sales salaries $110; delivery expense $30.

Summarize and balance the cash book. Do not post; indicate, however, the entries to be posted by placing the letter "P" in the ledger folio column, those not to be posted by a check mark (✓) in the ledger folio column.

Assignment 15

1. The system of account books used by R. Carter consists of a cash book, a purchase journal, a sales journal, and a general journal. Analyze the following transactions of Carter with a view to determining what transactions—or portions of transactions—are to be entered in the general journal, and make the entries where needed.

July

3. Haig & Haig expressed dissatisfaction with the last shipment of goods sent to them. Inasmuch as they had no open balance, Carter made them a cash allowance of $40.
6. Bought merchandise for $364 from A. L. Baker, giving him 30-day, non-interest-bearing note for $200 and a check for the remainder.
8. Sent McAuley Co. a check of $10 on account of overpayment by them in their remittance of the 2nd.
9. Bought a branch warehouse at 20 Graham St. from the General Realty Corp. for $20,000. Lawyer's fees were paid in cash $75; for transfer of title and guaranty of title he paid $42.50. He gave the General Realty a check for $5,000 and two 6% notes each of $7,500 maturing one year and two years respectively from date. These notes were secured by a mortgage in favor of the seller.
12. Bought a special lot of merchandise from Long Bros. for $700 paying cash $500 and the balance on a two months' note, without interest.
15. Returned merchandise worth $120 to Douglas & Kennedy as not meeting specifications.
18. The driver was fined $25 for passing a red light. The fine was paid by the business and charged to General Expense. It should have been charged to Delivery Expense.
19. Carter withdrew merchandise $20 and cash $50 for personal use.
21. Will L. James gave Henry R. Ferguson's 90-day, non-interest-bearing note of $300 and check of $81.50 in payment of June 26 invoice.
24. Bought merchandise for store at n/30 from Turner & Turner for $600. They took merchandise of $243 in partial payment.
25. Issued a credit memorandum of $25 to Hayes & Geraghty for goods received by them in damaged condition.
28. R. W. Steele & Co. paid their $600 note due today with interest $9.
30. Of the Freight Expense paid this month, analysis shows that $187.25 was for shipments to customers. Transfer this amount from the former account to Shipping Expense.

2. Raymond V. Cook enters the wholesale knit goods business on July 1, 19—. He invests assets and assumes liabilities from a former business as follows:

Stock of merchandise...	$12,450.60	Due from trade debtors on open account.....	$ 9,350.65
Due to trade creditors on open account	8,472.10	Notes receivable from trade debtors	3,600.00
Cash on deposit with Fifth National Bank..	1,642.10	Accrued interest income.	15.60
Notes payable to creditors	3,250.00	Store fixtures	1,780.00
Notes payable to bank..	1,000.00	Office furniture	850.00
Accrued interest expense	18.75	Dodge truck	1,200.00

Make the general journal entry to open Cook's records, being sure to give suitable explanation.

3. The data necessary for the adjustment of the books of Gerald Mangin (Assignment 12, Problem 1) at the close of business on June 30, 19—, are as follows: Final inventory of merchandise is $3,450. It is decided to depreciate the furniture and fixtures for one month at 12% per annum, and the delivery equipment at 36% per annum. A reserve is to be set up equivalent to 1% of net sales to provide for bad debts. Accrued wages payable: salesmen $40; bookkeeper $17.50; driver $15. Accrued interest on notes payable $1.35; on notes receivable $1.38. Accrued freight invoices on merchandise purchases, $45.

(a) Prepare a balance sheet as of June 30, 19—, and a statement of profit and loss for the month.

(b) On the basis of the above information adjust and close the books through the general journal.

Assignment 16

1. As bookkeeper for M. Schuman, wholesale dealer in shoes, you will use a general journal, a sales journal, a purchase journal, a cash book, a general ledger, and two subsidiary ledgers—one for customers and one for creditors. For the general journal use three double pages of the divided six-column journal paper. For the sales and the purchase journals, use one double page of two-column journal paper, and for the cash book three double pages of four-column journal paper.

The three debit columns of the general journal are to be headed: Accounts Payable, Accounts Receivable, and General respectively. The credit columns will be headed in the reverse order, with the General column on the left. All amounts to be posted to accounts in the general ledger should be recorded in the General column, and those to be posted to subsidiary ledgers should be entered in the columns controlling those ledgers. The latter amounts should be posted to the subsidiary accounts immediately, but will not be posted to the controlling account until the general journal is summarized at the end of the month.

The columns in the cash receipts journal should be headed: General, Accounts Receivable, Sales Discounts, Net Cash; and those in the disbursements journal: General, Accounts Payable, Purchase Discounts, Net Cash.

The first column in the other journals is to be used for items, i.e., detailed amounts, and the second for the total.

Using double-page ledger paper open the following accounts, to each of which allow the number of lines stated at the right of the account title:

Cash	10	Purchase Returns and Allowances	6
Notes Receivable	6	Sales Commissions	8
Accounts Receivable	10	Freight and Expressage Outward	15
Reserve for Doubtful Accounts.	5	Advertising	10
Merchandise Inventory	5	Shipping Supplies	6
Furniture and Fixtures.....	6	Office Salaries	10
Depreciation Reserve Furniture and Fixtures	5	Stationery and Printing.....	6
Salesmen's Advances	8	Office Supplies	6
Notes Payable	8	Insurance	8
Accounts Payable	10	Rent	8
M. Schuman, Capital.....	10	Donations	6
M. Schuman, Personal.....	10	Depreciation	6
Profit and Loss.....	25	Interest Expense	8
Sales	8	Sales Discounts	8
Sales Returns and Allowances..	5	Bad Debts	6
Cost of Goods Sold.....	6	Purchase Discounts	8
Purchases	8	Interest Income	6
Freight Inward	10		

Use one double sheet of ledger paper for the customers ledger and set up the following accounts therein, four to the page:

J. L. Block	G. A. Owen	Wm. C. Schultz
W. S. Briggs	L. B. Parks	N. A. Schuster
M. B. Hazlett	S. J. Paston	Style Craft Shoe Store
C. C. Link	J. M. Rice	Vanity Shoe Shop

General Ledger Adjustment

Use a second double sheet of ledger paper for the creditors ledger and set up the following accounts, three to the page:

Samuel Blair, Inc.	Diamond Shoe Co.	Silz Shoe Co.
Brookton Shoe Co.	Lunn & Sweet, Inc.	Watson Mfg. Co.
Clifford Murphy Shoe Co.	Powell & Campbell	

General Ledger Adjustment

Before recording any transactions, study carefully the accounts, particularly the expense accounts which you are to keep, and make your classification strictly according to them. Keep no additional accounts. This problem is continued in Assignment 17, Problem 1.

2. E. White purchases a draft from his bank for $3,000 and sends it to H. Rowe in payment of his account. The bank charges 1/10 of 1% for exchange.

Give the journal entries to be made by White and by Rowe respectively.

3. R. Patterson draws a 60-day draft on his customer, S. Cole, in favor of his creditor, L. Schren, for $2,500 on April 25, 19—. The drawee accepts the draft on April 30, 19—. On June 29, the draft is paid.

Give the journal entries that are to be made by all three parties at the time the draft is drawn, is accepted, and is paid.

4. On August 8, 19—, the Bradley Smoke Co. sold the following to H. Cobb, a retailer of cigarettes and cigars, terms 2/10, n/30:

3 Cartons of Lucky Find Cigarettes	$ 3.24	2 Boxes of Red Cigars	$10.02
5 Cartons of Jackal Cigarettes	5.50	3 Gross of Pipe Cleaners	8.64
3 Cartons of Longfelt Cigarettes	3.27	2 Dozen Cans Notworth Tobacco	2.88

(a) Prepare the sales invoice.

(b) With the following additional information taken from the records of the Bradley Smoke Co., prepare the monthly statement of Cobb's account as of August 31, 19—:

August

12. Merchandise sold Cobb $22.05.
17. Merchandise sold Cobb $18.02.
18. Received payment of invoice of August 8 less 2%.
20. Cobb returned merchandise of August 17 shipment $2.16.
22. Merchandise sold Cobb $14.18.
26. Merchandise sold Cobb $13.17. Received payment of invoice of August 12.
27. Received payment of invoice of August 17 less 2%.
28. Sold Cobb merchandise $27.32.
29. Cobb returned merchandise of August 26 shipment $3.75.
30. Received payment of invoice of August 22, less 2%.

5. The Adler-Berger Co., Chicago, does most of its business on a C.O.D. basis. C.O.D. packages are sent by parcel post, express, and the company's own delivery truck.

Give the journal entries necessary to record the C.O.D. shipments listed below and post them to the ledger accounts.

October

4. Delivery truck shipments, C.O.D., were as follows: Addison Vestal $13.50; Louis Rudd $23; T. C. Rich $39.40.
4. Express shipments, C.O.D., were made to the following customers: Harry Turkel $36.20; Morton Merles $100.50; Emanuel Schonwald $72.40; Myer Stodel $28.50.
4. Parcel post shipments, C.O.D., were made as follows: Philip Underwood $71; W. S. Day $21.22; Harry Pardoll $23.
4. The driver handed in cash as follows: Addison Vestal $13.50; Louis Rudd $23; T. C. Rich $39.40.
7. The express company sent us the following cash: Harry Turkel $36.20; Emanuel Schonwald $72.40.

8. Received cash from P. O., as follows: Philip Underwood $71; W. S. Day $21.22.
10. The P. O. returned to us the shipment sent to Harry Pardoll, with the notation that he had refused to accept it.

Instructions

Use a C.O.D. account in which to enter all C.O.D. transactions. Handle it as you would a customer's account.

Assignment 17

1. (*A continuation of Assignment 16, Problem 1.*) On May 2, 19—, M. Schuman, long interested in the shoe business, purchased the Norwalk Shoe Co. on the basis of the values shown below:

Assets		*Liabilities*	
Stock of boots and shoes	$36,472.95	Notes Payable to Brookton Shoe Co. dated April 15, 19—, and due June 14 with interest at 6%	$ 5,000.00
Customers' Accounts, total	21,270.00		
Furniture and Fixtures.	3,575.00	Accounts Payable, total.	29,000.00

In addition to the above investment, Schuman opened an account with the State National Bank for $15,000. The customers' accounts consisted of the following:

W. S. Briggs	$2,472.90	J. L. Block	$1,895.00
G. A. Owen	1,465.75	J. M. Rice	2,176.50
S. J. Paston	575.30	L. B. Parks	1,974.20
M. B. Hazlett	2,679.85	Wm. C. Schultz	1,595.30
C. C. Link	1,695.10	Vanity Shoe Shop	1,326.70
N. A. Schuster	2,476.00	Style Craft Shoe Store	937.40

The creditors' accounts assumed were:

Clifford Murphy Shoe Co.	$6,890.00	Diamond Shoe Co.	$1,572.90
Watson Mfg. Co.	5,742.90	Silz Shoe Co.	3,340.50
Lunn & Sweet, Inc.	2,795.60	Samuel Blair, Inc.	5,765.40
Powell & Campbell	2,892.70		

Record the investment of M. Schuman in the general journal and cash book. Do not omit in the opening entry the interest accrued on the note payable assumed by Schuman.

Summarize the general journal after you have recorded the opening entry and post completely.

The transactions of M. Schuman listed below are to be recorded in their respective journals. The figures at the left margin indicate the day of the month. Post immediately to the accounts in the subsidiary ledgers all those transactions affecting customers and creditors. Most sales are made on terms of 2/10, the gross amount to be paid if payment is made after the discount

period. The terms of purchase are 3/10, with the gross amount to be paid if payment is made later. Any special directions as to the manner of making the record are given under the title "Instructions" at the close of each assignment.

May

3. Bought for cash, account books $25; stationery $20; stamps $15; paid rent to July 1, $1,000. Sales to customers on account were: S. J. Paston $365.40; Style Craft Shoe Store $476.85; J. L. Block $1,476.70. Cash received on account from customers: W. S. Briggs $1,000; M. B. Hazlett $500.
4. Cash paid to: Clifford Murphy Shoe Co. $6,890; Watson Mfg. Co. $5,742.90. Made a donation of cash to the Community Chest $25. Cash received from: C. C. Link $495.10; N. A. Schuster $1,476. Sales on account: Vanity Shoe Shop $546.25; L. B. Parks $815.45.
5. Sold to G. A. Owen on account $376.95 worth of merchandise; and to W. S. Briggs $876.50 which included a charge of $5.75 for freight on his shipment. Cash received from: S. J. Paston $575.30; Style Craft Shoe Store $937.40. Paid Samuel Blair, Inc., $5,765.40.
6. Sales for cash $176.95. Paid for freight and expressage on shipments to customers $34.92, and on merchandise received $34.73. S. J. Paston returned merchandise from the shipment made to him on May 3, amounting to $65.40. W. S. Briggs informed Schuman that he had been overcharged $76.50; investigation showed that merchandise amounting to this sum had been sent to J. M. Rice and charged to Briggs; Rice agreed to keep the merchandise and a credit memo was sent to Briggs. Purchased on account from Brookton Shoe Co. merchandise for $2,746.65.
7. Cash received from J. M. Rice $1,176.50; J. L. Block $1,895. Sale on account to J. M. Rice $876.35. Cash paid: bookkeeper $35; stenographer $20; clerks $30. Schuman withdrew $75 in cash for his personal use and advanced $2.25 to a salesman against his commissions.
9. Returned merchandise costing $326.25 to the Brookton Shoe Co. Paid for freight and expressage on merchandise shipped $38.76. Paid for freight on merchandise received $78.47; for advertising circulars $24.36; and stationery $32.96. Cash received from: C. C. Link $1,000; Wm. C. Schultz $1,595.30. Purchased on account from: Diamond Shoe Co. $2,498.75; Lunn & Sweet, Inc. $2,006.20.
10. Sales on account were: Style Craft Shoe Store $1,872.45; Wm. C. Schultz $1,499.85. Cash received from: Vanity Shoe Shop $1,326.70; M. B. Hazlett $1,179.85. Schuman discounted at the bank at 6% his 30-day note for $5,000. Paid $360 for fire insurance for one year. Received from N. A. Schuster a note for $1,000, maturing 60 days from date, May 10, and bearing interest at the rate of 6% per annum. Paid to the Diamond Shoe Co. $1,572.90 in cash.

11. Sales on account were: J. M. Rice $2,437.90; S. J. Paston $1,862.75. J. M. Rice returned $50.20 worth of merchandise for credit. Purchased on account from Samuel Blair, Inc., merchandise for $2,896.45. Returned merchandise to Diamond Shoe Co. for $93.50; to Lunn & Sweet, Inc., for $130.65. An error was discovered in the invoice from Samuel Blair, Inc., for the merchandise received today. The correct amount should have been $2,891.50 instead of $2,896.45. Cash received from: G. A. Owen $1,465.75; L. B. Parks $1,974.20.
12. Paid $126.42 for freight and express on shipments made to customers and $54.32 for freight on merchandise received. Schuman withdrew $2,000 in cash. Cash received from W. S. Briggs amounted to $1,472.90; and cash paid to Powell & Campbell $2,892.70. Sales on account were: Vanity Shoe Shop $1,492.85; G. A. Owen $2,452.35.
13. Sales on account: C. C. Link $1,454.25; N. A. Schuster $2,538.60. Purchases of merchandise on account: Watson Mfg. Co. $3,496.70; Brookton Shoe Co. $2,372.60. Returned merchandise to Samuel Blair, Inc., for $400 and took as an allowance $4.32 for freight paid on this returned merchandise. Cash received from: S. J. Paston $300; J. M. Rice $1,902.65; J. L. Block $1,476.70. Cash paid for advertising $200 and for supplies for the shipping department $48.95.
14. Sales on account: J. L. Block $1,763.95; W. S. Briggs $2,933.70. Salaries paid in cash: bookkeeper $35; stenographer $20; clerks $30. Paid Lunn & Sweet, Inc., $2,795.60, and advanced $800 to salesmen on their commissions. Purchased a filing cabinet for $55 and a typewriter for $125, paying cash for both. Paid $115.38 for freight and express on shipments to customers. Schuman withdrew $65 in cash.
16. Purchased merchandise on account from Brookton Shoe Co. for $3,862.15; the company charged an additional amount of $34.60 for the freight which was prepaid, thus making the total amount of the invoice, $3,896.75. Received from Wm. C. Schultz his 60-day, 6% note for $1,499.85, dated May 16, to apply on his account. Cash received from: Vanity Shoe Shop $546.25; Style Craft Shoe Store $476.85. Paid the Brookton Shoe Co. $2,420.40 less a discount of 3%.
17. Sales on account were: S. J. Paston $1,547.20; Style Craft Shoe Store $1,329.65. C. C. Link returned damaged merchandise for $18.70. Returned to the Brookton Shoe Co. merchandise costing $402.15. Received cash from G. A. Owen $2,829.30 less a discount of 2%.

Instructions

May 5. Do not record in the sales journal the freight charged to W. S. Briggs on his purchase of May 5. Enter this freight in the general journal as a charge to Briggs and a credit to Freight and Expressage outward.

May 6. Record the cash sales both in the cash receipts journal and in the sales journal in the same column with the customers' accounts. Check the amount in both journals.

Record the interest prepaid on the note discounted on May 10 in the Sales Discount column of the cash receipts journal and mark (X) opposite it. When summarizing and posting that journal, divide the total of that column into two amounts, one representing the total sales discounts and the other the prepaid interest expense.

Treat the freight included in the Brookton Shoe Co. invoice of May 16 as a charge to Freight Inward and a credit to the Brookton Co. account in the general journal.

Assignment 18, Problem 1 is a continuation of this problem.

2. The following data are recorded in the Accounts Receivable and Accounts Payable controlling accounts on the general ledger:

Sales	$50,000	Notes received	$ 1,500
Purchases	75,000	Purchase returns	750
Customers' returns	7,500	Freight prepaid on sales	325
Customers' allowances	565	Cash received	20,600
Sales discounts	1,250	Cash paid	35,540
Purchase discounts	2,500	Drafts drawn on customers and given to creditors	5,000
Notes payable	1,200		

Set up the controlling accounts as they appear on the general ledger, showing in the folio columns the sources from which the amounts are posted.

Show the above items as they would appear in the summary entries of the various journals. Assume that the journal system comprises sales, purchase, cash receipts, cash disbursements, and general journals suitably ruled for easy handling of controlling accounts.

Assignment 18

1. (*A continuation of Assignment 17, Problem 1.*)

May

18. Cash received from: W. S. Briggs $800; S. J. Paston $1,862.75 less 2%. Purchased on account from the Silz Shoe Co. merchandise for $2,125.55. Sales on account were: Wm. C. Schultz $1,879.40; G. A. Owen $1,326.45.
19. Sold merchandise for $1,862.75 to M. B. Hazlett on account and charged him an additional amount of $10.21 for freight prepaid on the shipment. Purchased merchandise for $1,742.93 from Powell & Campbell on account. Cash received from: M. B. Hazlett $1,000; C. C. Link $454.25 less 2%; N. A. Schuster $2,538.60 less 2%. Cash paid: Diamond Shoe Co. $2,405.25 less 3%; Lunn & Sweet, Inc., $1,875.55 less 3%; freight on shipments to customers $110.25.
20. Cash received: L. B. Parks $815.45; J. M. Rice $1,437.90 less 2%. Sales on account were: L. B. Parks $2,472.35; J. M. Rice $2,137.25. Purchased merchandise for $3,874.90 on account from Samuel Blair, Inc.
21. Sold merchandise for $1,937.35 to J. L. Block on account. Made the following cash payments: S. Blair, Inc., $2,487.18 less 3%; salaries—bookkeeper $35, stenographer $20, and clerks $30; salesmen's advances $500; freight and expressage outward $125.42; freight inward $38.74. Schuman withdrew $5,200 in cash for his personal use. Cash received from J. L. Block amounted to $1,763.95 less 2% discount.
23. Sold to N. A. Schuster on account, merchandise for $1,296.45. J. L. Block informed Schuman that he did not receive merchandise for $450.35 which was included in the invoice of May 21. Investigation showed that the merchandise was not in stock and therefore had not been shipped. Credit memorandum was sent to him for the amount of this claim. Purchases on account: Lunn & Sweet, Inc., $2,894.75; Diamond Shoe Co. $3,475.90. Cash received: Vanity Shoe Shop $1,492.85 less 2%; Style Craft Shoe Store $1,872.45 less 2%.
24. Sold merchandise for $1,743.60 to W. S. Briggs on account. Schuman replaces $2,000 of the cash he withdrew. Received cash from S. J. Paston $1,547.20 less 2%. Paid the Brookton Shoe Co. $2,372.60 less 3%; also $32.78 for freight on merchandise received and $176.48 for shipping supplies.
25. Sold merchandise for $1,475.95 to Vanity Shoe Shop on account. G. A. Owens paid his invoice of May 18 less a discount of 2%. W. S. Briggs gives his 30-day, 6% note for $2,933.70 to apply on account. The note was dated May 25 and matured June 24.
26. Paid $42.76 for freight on merchandise received and $3,494.60 less a discount of $103.00 to the Brookton Shoe Co. Cash received: C. C. Link $981.30; J. M. Rice $1,000. Sold to S. J. Paston on account, merchandise for $1,327.85. Purchased merchandise for $3,876.92 from Clifford Murphy Shoe Co. on account.
27. Paid $45.93 for office supplies and $22.78 for advertising. L. B. Parks paid his invoice of May 20, less a discount of 2%. Sold merchandise for $895.55 to G. A. Owen on account. S. J. Paston returned goods for $213.25.
28. Paid Silz Shoe Co. invoice of May 18 less 3%, and Powell & Campbell invoice of May 19 less 3%. Made the following additional cash disbursements: salaries—bookkeepers $35, stenographer $20, and clerks $30; $67.50 for freight and expressage outward; advances to salesmen $300.

31. Sales on account were: L. B. Parks $1,247.35; C. C. Link $1,339.75; M. B. Hazlett $1,526.85. M. B. Hazlett paid his invoice of May 19 plus the freight charged thereon. Schuman withdrew merchandise costing $50.80 for his personal use and donated some to charity costing $35.40.

Summarize all the journals and post completely.

Take a trial balance of your ledger as of May 31, and record it in the first two columns of a sheet of ten column analysis paper, provided in your supplies.

Instructions

Record the merchandise taken by Schuman and that donated to charity in the general journal instead of the sales journal, the credit being to Purchases account in each case.

Assignment 19

1. (*A continuation of Assignment 18, Problem 1.*) Using the work sheet on which the trial balance has already been set up, make the adjustments on it in accordance with the data given below. Then make the extensions into the profit and loss and balance sheet columns.

Deferred Expenses:		Accrued Interest Expense	$ 38.35
Office Supplies on Hand	$ 35.76	Accrued Salesmen's Commissions—5% of net sales.	
Shipping Supplies ...	130.29	Freight Outward due..	35.46
Rent Prepaid	500.00	Interest Income Accrued	12.15
Advertising Deferred.	100.00	Bad Debts estimate—1% of net sales.	
Insurance Deferred...	340.00	Depreciation Furniture and Fixtures—12% per annum.	
Interest Expense	7.50	Inventory of Merchandise on Hand May 31.	30,321.60
Accrued Salaries:			
Bookkeeper	11.67		
Stenographer	6.67		
Clerks	10.00		

Draw up a pro forma balance sheet and profit and loss statement.

Instructions

In drafting the pro forma balance sheet, the Salesmen's Advances account is not to be shown among the assets, it is to be treated as an offset or deduction from the current liability item, Sales Commissions, one of the items of Accrued Expenses. The difference between Sales Commissions and Salesmen's Advances is the net liability under this head.

Assignment 20

1. (*A continuation of Assignment 19, Problem 1.*) Prepare the adjusting and closing entries in the journal, using the adjustment columns of the work sheet and the pro forma profit and loss statement as a guide. Post completely, close, and rule the accounts in the ledger.

Instructions

Do not transfer the balance of Salesmen's Advances account to the open section of Sales Commission account. Such transfers are made only as commission accounts are settled with each salesman.

APPENDIX A—SECOND SEMESTER

PRACTICE WORK FOR STUDENT

The practice work for the second semester is designed to develop facility and accuracy in the use and interpretation of accounting records. Accordingly, this work consists of two somewhat extended problems to be recorded in blank books as well as disconnected problems relating specifically to the material of the corresponding chapters. The first of these longer problems relates to the partnership, involving particularly the adjustment of partners' accounts at the close of the fiscal period. The second is concerned with a manufacturing corporation using a voucher register.

The stationery furnished provides two sets of blank books, as indicated above, the one for the partnership, the other for the corporation. Specific directions for their use are given with each problem. Upon completion of the problem, these blanks are to be turned in for inspection and may be retained by the school if deemed best. For solution of the disconnected problems, the loose-leaf supplies will usually be found suitable. If an adequate understanding of the use and operation of accounting records is to be secured, disconnected problem work should not be substituted for the extended practice work provided for record in blank books. A proper balancing of the two types of practice work is the goal to be aimed at.

Assignment 21

1. This set consists of: a general journal; departmental sales journal, departmental sales returns and allowances journal, departmental purchase journal, departmental purchase returns and allowances journal, and cash receipts and disbursements journals, all bound together for convenience in one book; a general ledger, a sales ledger, and a purchase ledger, also bound as one book. The general journal is bound separately. Of the special journal blank, pages 1 to 3 will be used for sales; page 4 for sales returns and allowances; pages 5 to 7 for purchases; page 8 for purchase returns and allowances; pages 10 to 20 will be used for the cash book; pages 21 to 22 for general ledger trial balances; page 23 for schedule of sales ledger accounts; and page 24 for schedule of purchase ledger accounts.

The general journal is provided with analysis columns to save time in posting to control accounts. From left to right, the debit columns are to be headed Accounts Payable, Accounts Receivable, and General; and the credit columns, General, Accounts Receivable, and Accounts Payable.

The sales journal provides for analysis of sales, the first column being the Total or General column; the others, Dept. A, Dept. B, and Out-Freight, respectively. The sales returns and allowances journal makes provision for the same analysis as the sales journal except that there is no Out-Freight column, the fourth column not being used.

The columns in the purchase journal are from left to right, Total (or General), Dept. A, Dept. B, and In-Freight, with the same column headings for the purchase returns and allowances journal, except that In-Freight is omitted.

The cash book columns on the debit side will be headed, General, Accounts Receivable, Sales Discount, and Net Cash; and on the credit side, General, Accounts Payable, Purchase Discount, and Net Cash.

The general ledger will consist of pages 1 to 26, the sales ledger pages 30 to 35, the purchase ledger 37 to 40. The first four pages preceding the ledger ruling are to be used for index purposes.

All transactions affecting individual customers', creditors', and partners' accounts are to be posted daily to those accounts. The postings to the controlling accounts will follow the explanations in the text or special instructions.

This set should give the student facility in handling a partnership set of books operated under a controlling account system. Operation of the set will require great care in posting to controlling and subsidiary accounts in order to keep them in agreement.

The student should become familiar with the ledger accounts given below, to which he should adhere strictly in the classification of all transactions. These accounts are to be opened in the ledger at the places indicated. The first numeral following the account title indicates the page, the second the line on that page. "Line 1" refers to the very first line at the top of the page.

On the general ledger open the following accounts:

LEDGER ACCOUNTS

	Page	Line		Page	Line
Cash	1	1	Depreciation Reserve Store Furniture and Fixtures.	3	30
Notes Receivable	1	20	Office Furniture and Fixtures	4	1
Accounts Receivable	2	1	Depreciation Reserve Office Furniture and Fixtures	4	10
Reserve for Doubtful Accounts	2	30	Delivery Equipment	4	20
Merchandise Inventory, Dept. A.	3	1	Depreciation Reserve Delivery Equipment	4	30
Merchandise Inventory, Dept. B.	3	10	Land and Building—North Cedar St.	5	1
Store Furniture and Fixtures	3	20			

LEDGER ACCOUNTS—*Continued*

	Page	Line
Depreciation Reserve Building	5	10
Investments	5	20
Goodwill	5	30
Notes Payable	6	1
Accounts Payable	6	20
Mitchell E. Rupert, Account Payable	7	1
Mortgage Payable	7	10
Edwin G. Leary, Capital	7	20
Edwin G. Leary, Personal	8	1
Geoffrey Hayes, Capital	8	20
Geoffrey Hayes, Personal	9	1
Mitchell E. Rupert, Capital	9	20
Mitchell E. Rupert, Personal	10	1
Subscribers	10	20
Capital Stock Subscriptions	11	1
Call No. 1	11	10
Capital Stock	11	20
Premium on Stock	11	30
Profit and Loss	12	1
Sales, Dept. A	13	1
Sales Returns and Allowances, Dept. A	13	12
Sales, Dept. B	13	20
Sales Returns and Allowances, Dept. B	13	32
Cost of Goods Sold	14	1
Purchases, Dept. A	15	1
Purchase Returns and Allowances, Dept. A	15	12
Purchases, Dept. B	15	20
Purchase Returns and Allowances, Dept. B	15	32
Freight and Cartage Inward	16	1
Salesmen's Salaries	16	15
Salesmen's Commissions	16	27
Salesmen's Traveling Expenses	17	1
Advertising	17	13
Freight-Outward	17	27
Delivery Expense	18	1
Shipping Supplies	18	28
Office Salaries	19	1
Office Supplies	19	20
Office Expense	20	1
Printing and Stationery	20	13
Telephone, Telegraph, and Postage	20	27
Light and Heat	21	1
Rent Expense	21	13
Taxes	21	27
Insurance	22	1
General Expense	22	10
Association Dues	22	30
Charity Donations	23	1
Depreciation	23	10
Sales Discount	23	30
Interest Expense	24	1
Bad Debts	24	13
Purchase Discount	24	27
Interest Income	25	1
Rent Income	25	13
Miscellaneous Sales	25	27
Collins Realty Corp.	25	35
Marion Truck Co.	26	1

On pages 30 to 35, enter the following customers' accounts, 3 to a page:

Manhattan Dress Goods Co.
Acme Sales Co.
Argonaut Dress Goods Co.
R. H. Cooke and Co.
Jones & Co.
McCurdy, Sibley & Edwards
Monroe County Dry Goods Co.
Superior Dress Goods Co.
S. W. Wiley
Woodworth & Co
J. T. Adams Co.
Baird and Young
A. & L. Crapsey
La Vogue Dry Goods Co.
McDonald & McKee
Squire and Llewellyn
Vreeland Dress Goods Co.
Wesley & Kellar Dry Goods Co.
Zenith Sales Co.

Beginning on page 37, enter these creditors' accounts, three to a page:

American Woolen Mills
Chicago Textile Mfg. Co.
Johnson & Johnson
Krokaw & Stern Bros.
New Bedford Mills Co.
M. D. Terwilliger
Anthony Corella & Sons
Calumet Bros.
Kensington Mills & Mfg. Co.
Rochester Textiles, Inc.
Peter Rogers Co.
Smith, Bier, Gormley Co.

Instructions

The student should prepare all of his books for the receipt of entries. The title of each journal should be entered at the top of the first page of that journal. Analytic column titles should be inserted in accordance with the information given. Account titles should be written in all of the ledgers at the places indicated.

Problem 1 of Assignment 22 is a continuation of this problem.

2. The following data show the condition of John Martin's business as at December 31, 19—:

Cash	$ 15,000	Accounts Payable	$ 15,000
Notes Receivable	13,000	Notes Payable	28,000
Accounts Receivable	18,000	Mortgage Payable	60,000
Inventory	30,000	John Martin, Capital	133,000
Furniture and Fixtures	10,000		
Land	15,000		
Building	135,000		
	$236,000		$236,000

On the basis of this balance sheet, after certain adjustments mutually agreed to, L. M. Hughes buys a half-interest in the net assets and profits of Martin's business. These adjustments call for a reserve of 1% of all outstanding receivables; a reserve of 10% on furniture and fixtures, and a reserve of 4% on building.

Make the necessary entries to adjust the books and to admit Hughes.

Draw up a balance sheet of the partnership. The purchase money paid by Hughes is not to be invested in the business.

3. Robert Young's balance sheet at December 31, 19—, contains the following items:

Cash	$ 6,000	Notes Payable	$ 6,000
Notes Receivable	1,500	Accounts Payable	16,500
Accounts Receivable	19,000	Robert Young, Capital	40,000
Merchandise Inventory	28,000		
Furniture and Fixtures	3,000		
Delivery Equipment	5,000		
	$62,500		$62,500

On the basis of Young's balance sheet and by mutual agreement, Newt Adams acquires a third interest in the capital and profits of the business by investing in it a building valued at $15,000 and cash for the balance.

Make the entry necessary to bring Adam's investment on the books.

4. In a partnership, Edw. S. Lockhart's capital contribution on January 1, was $25,000. On September 15, he withdrew $5,000. He had drawn throughout the year at more or less regular intervals cash amounting to $2,000 and merchandise $1,000. His partner, Richard T. Maxley, had invested on January 1, $30,000, of which he withdrew $7,500 on July 1. He also had drawn during the year total cash amounting to $1,800 and mer-

chandise valued at $1,500. Profits for the year were $9,000, of which, by agreement, Lockhart receives 40% and Maxley 60%.

Make the entries—in journal form—necessary to bring all of the above transactions onto the book and determine the balance of each partner's capital account.

Assignment 22

1. (*A continuation of Assignment 21, Problem 1.*) The firm of Leary, Hayes & Rupert has been conducting a wholesale merchandising business at 3261 South Union St., New York, since its organization in May, 1923. The business consists of selling woolens and dry goods classified for purposes of convenience as Dept. A and Dept. B, respectively.

Among other things, the articles of copartnership provide that:

(1) Profits and losses shall be shared as follows: Leary 40%; Hayes 35%; Rupert 25%.

(2) Interest at the rate of 6% per annum is to be allowed on sums in capital accounts, and in all cases is to be figured on the basis of 360 days to the year.

(3) Leary is to be allowed an annual salary of $6,000, Hayes $6,000, and Rupert $4,800. Interest at the rate of 6% per annum is to be charged on the drawings in excess of the salary allowed for the fiscal period from the date such drawings exceeded salary until the date of closing the books.

(4) The fiscal period is to be one year in length to coincide with the calendar year.

(5) Credit balances remaining in the partners' personal accounts at the close of the fiscal period may be withdrawn or credited to the capital accounts with the consent of the majority of the partners.

At the close of business on October 31, 19—, the trial balance of Leary, Hayes & Rupert was as follows:

	Dr.	Cr.
Cash	$ 29,254.20	
Notes Receivable (Schedule 1)	16,600.00	
Accounts Receivable (Schedule 2)	125,622.90	
Reserve for Doubtful Accounts		$ 3,342.30
Merchandise Inventory, Dept. A	44,680.75	
Merchandise Inventory, Dept. B	26,348.00	
Store Furniture and Fixtures	7,520.00	
Depreciation Reserve Store Furniture and Fixtures		1,740.10
Office Furniture and Fixtures	6,280.50	
Depreciation Reserve Office Furniture and Fixtures		1,031.70
Delivery Equipment	7,645.00	
Depreciation Reserve Delivery Equipment		1,635.90
Investments	15,000.00	
Notes Payable (Schedule 3)		15,200.00
Accounts Payable (Schedule 4)		98,420.65
Edwin G. Leary, Capital		37,000.00

Edwin G. Leary, Personal	5,000.00	
Geoffrey Hayes, Capital		37,000.00
Geoffrey Hayes, Personal	5,000.00	
Mitchell E. Rupert, Capital		19,000.00
Mitchell E. Rupert, Personal	4,000.00	
Sales, Dept. A		411,065.32
Sales Returns and Allowances, Dept. A	26,105.84	
Sales, Dept. B		230,910.60
Sales Returns and Allowances, Dept. B	15,320.70	
Purchases, Dept. A	219,420.62	
Purchase Returns and Allowances, Dept. A		9,680.43
Purchases, Dept. B	146,380.59	
Purchase Returns and Allowances, Dept. B		3,082.48
Freight and Cartage Inward	6,309.70	
Salesmen's Salaries	21,780.00	
Salesmen's Commissions	11,065.44	
Salesmen's Traveling Expenses	8,620.95	
Advertising	32,850.00	
Freight Outward	7,605.20	
Delivery Expense	12,770.63	
Shipping Supplies	3,250.94	
Office Salaries	13,720.00	
Office Supplies	7,570.50	
Office Expense	2,381.24	
Printing and Stationery	4,192.80	
Telephone, Telegraph, and Postage	1,805.40	
Light and Heat	6,630.70	
Rent Expense	10,000.00	
Insurance	2,210.30	
General Expense	6,750.61	
Association Dues	1,000.00	
Charity Donations	1,500.00	
Depreciation	3,012.10	
Sales Discount	8,675.31	
Interest Expense	2,206.58	
Purchase Discount		4,581.26
Interest Income		848.51
Miscellaneous Sales		1,548.25
	$876,087.50	$876,087.50

Schedules appended to the above trial balance:

Schedule 1. NOTES RECEIVABLE:

R. H. Cooke & Co., 60-day 6% note dated October 17, 19—	$ 5,000.00
Jones & Co., 30-day non-interest-bearing draft on J. L. Bennett, dated October 24, 19—	3,600.00
La Vogue Dry Goods Co., 30-day 6% note dated October 26, 19—	4,000.00
S. W. Wiley, 3 months 6% note dated September 18, 19—.	4,000.00
	$ 16,600.00

Schedule 2. ACCOUNTS RECEIVABLE:

Acme Sales Co.	$ 15,907.05
J. T. Adams Co.	8,010.64
Argonaut Dress Goods, Inc.	9,430.64
A. & L. Crapsey	5,110.26
Jones & Co.	6,350.87

Manhattan Dress Goods Co.	7,505.21
McCurdy, Sibley & Edwards	8,162.70
McDonald & McKee	12,421.02
Monroe County Dry Goods Co.	10,380.85
Squire & Llewellyn	10,193.35
Superior Dress Goods Co.	8,773.68
Vreeland Dress Goods Co.	12,043.69
Wesley & Kellar Dry Goods Co.	8,226.50
S. W. Wiley	3,106.44
	$125,622.90

Schedule 3. NOTES PAYABLE:

Kensington Mills & Mfg. Co. note, #62, 2 months, 6%, dated September 26, 19—	$ 6,000.00
Kenesaw National Bank note, #65, 2 months, 6%, dated October 1, 19—	8,000.00
Anthony Corella & Sons note, #66, 2 months, 6%, dated October 16, 19—	1,200.00
	$ 15,200.00

Schedule 4. ACCOUNTS PAYABLE:

American Woolen Mills	$12,144.24
Calumet Bros.	5,520.32
Chicago Textile Mfg. Co.	7,391.31
Johnson & Johnson	6,410.75
Krokaw & Stern Bros.	12,635.04
New Bedford Mills Co.	18,618.40
Rochester Textiles, Inc.	8,406.42
Peter Rogers Co.	9,326.24
Smith, Bier, Gormley Co.	7,650.83
M. D. Terwilliger	10,317.10
	$98,420.65

Instructions

The blank books used in this set are to be opened with the data from the ten months' trial balance and schedules given above. When opening the Notes Receivable and Notes Payable accounts, the individual items—not the totals—of Schedules 1 and 3 should be entered, with the essential explanatory data for each note. In the controlling accounts, Accounts Receivable and Accounts Payable, the amounts shown for those accounts in the trial balance will be entered. The individual amounts given in Schedules 2 and 4 will be entered in their respective subsidiary ledgers. Enter balances in all accounts under date of November 1, 19—.

A digest of the partnership agreement should be made and entered on the first page of the general journal. This digest would appear on the first page of the journal used at the time of the formation of the partnership. It is to be entered here merely as a convenience for reference purposes when closing the books. Be careful, in making the summary, to include all the essentials of the contract.

2. Keely, Cunningham, and Kunz enter into a partnership to conduct a retail grocery and meat business; Keely to have charge of groceries, Kunz of meats, and Cunningham of finances. Their capital investments are to be: Keely $25,000, Cunningham $40,000, and Kunz $35,000. Profits are to be shared equally after allowing interest on capital at 6% per annum, and monthly salaries of $250 each to Keely and Kunz, and $400 to Cunningham. They lease a storeroom and basement at 329 Western Avenue for 5 years at an annual rental of $5,000. By mutual consent, the following assets are accepted at the values shown in partial satisfaction of the respective investments:

Keely invests: stock of groceries $15,000; shelvings, counters, partitions, etc., $3,000; and small motor truck $2,000.

Kunz invests: meats and meat products $5,000; refrigerators $5,000; counters and other fixtures $7,500; office safe, typewriter, etc., $2,500; accounts receivable, guaranteed by Kunz, $5,500; and motor speed wagon $1,500.

Cunningham invests: cash $50,000. Keely and Kunz are temporarily short of funds and Cunningham invests $10,000 more than the agreed amount.

Make the opening entries for the partnership, a separate entry for each partner. Be sure to frame a digest of the agreement as the opening statement in the journal. See page 291 for explanation. Draw up the opening balance sheet.

3. During the first year of the partnership of Keely, Cunningham & Kunz—see Problem 2—no changes took place in the partners' capital accounts except for a charge against Kunz of $1,000 on June 30, because of the absolute bankruptcy of one of the customers whose account he guaranteed when investing it in the partnership. On December 31, the close of the fiscal year, net profits were ascertained to be $14,500. Make such adjustment as you deem necessary on account of the failure of the partners to carry out their agreement as to capital investments and determine the amount of profit to be distributed according to the agreement.

4. In the firm of Clark & Woods, each has a $10,000 investment. Being badly in need of working capital, they admit David to a third interest in the business, upon his investing $7,000 cash. Make the entries necessary to take effect of the above transactions.

5. Johnson and Davies are partners, sharing profits and losses equally. Their balance sheet at December 31, 19—, showed as follows:

Cash	$ 3,000	Notes Payable, banks	$10,000
Notes Receivable	5,000	Notes Payable, trade	4,000
Accounts Receivable	15,000	Accounts Payable	3,000
Merchandise	12,500	Accrued Expenses	500
Prepaid Expense	1,000	Mortgage Payable	7,500
Delivery Equipment	2,500	Johnson, Capital	15,000
Furniture and Fixtures	3,000	Davies, Capital	12,000
Land and Building	10,000		
	$52,000		$52,000

They agree to admit Taylor to a one-fourth interest in the net assets and profits of the business upon a cash investment by him, the amount being determined on the basis of the above balance sheet, after certain adjustments mutually acceptable have been made. Of the accounts receivable, $1,000 is to be treated as bad; the inventory is to be decreased 10%; the cash is found to contain a $50 counterfeit bill and $100 of worthless I.O.U.'s. The goodwill is to be valued at 2 years' purchase price of the average excess profits for the past 3 years. The profits for the past 3 years have been $5,000, $7,500, and $10,000, respectively. For the purpose of computing the value of the goodwill, the normal rate of earning has been set at 12½%.

Record the above transactions in the general journal, giving suitable explanations, detailed where necessary. Draft a balance sheet after Taylor's admission.

Assignment 23

1. (*A continuation of Assignment 22, Problem 1.* Record the transactions listed below for November, 19—, in the various books of original entry. Figures at the left margin indicate the day of the month. Where needed, directions appear at the close of each assignment.

November

1. Sold Squire & Llewellyn at 2/10, 1/15, n/30, Dept. A $2,420.65. Sold Jones & Co. at n/30, Dept. A $2,648.70; Dept. B $1,130.45; prepaid freight of $23.25 was also charged to customer. Freight bills are settled periodically—see November 14. Bought of Anthony Corella & Sons at 2/10, n/30, Dept. A $3,142.50; Dept. B $1,964.35. Paid $212.50 for typewriter ribbons, inks, etc. Monroe County Dry Goods Co. paid invoice of October 17, $1,865.40 less 1%. Paid Johnson & Johnson on account $1,410.75.
2. Sold La Vogue Dry Goods Co. at 2/10, n/30, Dept. B $1,824.32. Manhattan Dress Goods Co. returned as damaged $93.78 Dept. A goods included in last shipment. J. T. Adams Co. paid invoice October 23, $1,648.50 less 2%. Wesley & Kellar Dry Goods Co. paid $2,000 to apply on account.
4. Sold R. H. Cooke & Co. at 2/10, n/30, Dept. A $1,841.70; Dept. B $1,632.40; prepaid freight $32.46. Issued credit memorandum of $640.75 for Dept. A goods returned by Jones & Co. from November 1 shipment. Bought Dept. A merchandise $2,340.80 at 2/10, n/30, from Rochester Textiles, Inc., freight of $18.69 paid by shipper and charged to us. Paid American Woolen Mills invoice October 24, $4,205.30 less 2%. Paid Rochester Textiles, Inc., invoice October 24, $3,428.05 less 2%. Acme Sales Co. paid invoice October 20, $3,461.02 less 1%. McDonald & McKee paid October 25 invoice, $2,180.60 less 2%. Paid auditor's services for September and October, $375.

5. Sold McDonald & McKee at 2/10, 1/15, n/30, Dept. B $1,490.70. Sold Wesley & Kellar Dry Goods Co. at 2/10, n/30, Dept. A $3,645.75; prepaid freight of $31.22. Bought from New Bedford Mills Co. at 2/10, 1/15, n/30, Dept. A $2,365.35; Dept. B $1,550.70. Paid M. D. Terwilliger October 26 invoice, $4,230.50 less 2%. Argonaut Dress Goods Co. paid October 21 invoice, $3,125.35 less 1%. Returned Dept. A goods $725 to Peter Rogers Co. as not being according to sample.
6. Sold Argonaut Dress Goods Co. Dept. A $1,242.50, receiving check for half, balance due in 30 days. Bought of Smith, Bier, Gormley Co. at n/30, Dept. A $1,254.60; Dept. B $2,325.60. Paid Calumet Bros. invoice October 22, $2,748.10 less 1%. Paid Chicago Textiles Mfg. Co. $1,500 on account. A. & L. Crapsey paid invoice October 4, $3,124.16, net. Paid $206.42 for excelsior and crating materials.
7. Sold J. T. Adams Co., 1/15, n/30, Dept. B $1,842.30. Manhattan Dress Goods Co. paid $3,411.43 on account. Returned Dept. B goods $783.75 to New Bedford Mills Co., invoice November 5. Paid Peter Rogers Co. invoice October 28, $2,235.60 less 2%. Paid Smith, Bier, Gormley Co. invoice October 28, $3,264.10 less 2%. McCurdy, Sibley & Edwards paid invoice October 29, $2,213.05 less 2%. Paid garage rent to December 7, $80. Paid $180 for lithographed letterheads. Sold refuse for cash $125. Received $70 for one week's use of truck.
8. Sold A. & L. Crapsey, 2/10, n/30, Dept. A $894.20; Dept. B $1,230.60; prepaid freight to destination $24.86. Bought of American Woolen Mills at 3/5, n/30, Dept. A $3,153.20; in-freight paid by shipper $31.62. Paid Rochester Textiles, Inc., invoice October 29, $2,230.65 less 2%. Paid rent to December 8, $1,000. Monroe County Dry Goods Co. paid invoice October 29, $2,540.50 less 2%. Paid $193.10 for office supplies; $516.28 for repairs to elevator.
9. Sold S. W. Wiley, 2/10, n/30, Dept. A $1,348.22; Dept. B $748.22. J. T. Adams Co. returned as unsatisfactory Dept. B goods $681.70 shipped to them November 7. Bought special lot of Dept. B goods from M. D. Terwilliger, paying cash $3,200. Paid Krokaw & Stern Bros. invoice October 9, $4,255.70 net. Vreeland Dress Goods Co. paid invoice October 7, $1,845.10 net.
11. Sold McCurdy, Sibley & Edwards at 1/10, n/30, Dept. A $1,315.42; Dept. B $827.30. Bought of Kensington Mills & Mfg. Co., 2/10, n/30, Dept. A $2,530. Paid New Bedford Mills Co. invoice October 27, $3,420.85 less 1%. La Vogue Dry Goods Co. paid invoice November 2, $1,824.32 less 2%. S. W. Wiley paid invoice October 10, $1,732.40 net. Paid telephone bill for October, $83.24; electric light bill $391.60.
12. Sold Manhattan Dress Goods Co., 2/10, 1/15, n/30, Dept. A $1,429.50. Sold Acme Sales Co., 2/10, n/30, Dept. B $1,385.63. S. W. Wiley

returned damaged merchandise shipped to him November 9, Dept. A $312.85; Dept. B $205.60. Bought from Johnson & Johnson, Dept. B $3,120.80, giving out note #67, 60 days without interest, for $1,000, and our check for balance less 3%. Squire & Llewellyn paid invoice November 1 less 2%. Paid office expenses $653.25; renewing insurance of stock of merchandise $418.72.

13. Sold Superior Dress Goods Co., 2/10, n/30, Dept. A $2,630.75; prepaying freight $43.64. Paid American Woolen Mills invoice November 8 less 3%. Superior Dress Goods Co. paid invoice October 29, $1,906.10 less 1% (out-freight on this shipment was $12.76). Paid Consolidated Steam Corp. for heating service $453.20. Donated $100 to Association for the Blind. Paid $25 for advertising in D. A. R. souvenir program.

14. Sold Monroe County Dry Goods Co., 2/10, 1/30, n/60, Dept. A $1,622.50; Dept. B $2,138.60. Bought merchandise Dept. A $1,865.40, Dept. B $2,031.55, at net 30 days, from Chicago Textile Mfg. Co.; inward freight of $31.72 charged to us. Monroe County Dry Goods paid $1,500 on account. Wesley & Kellar Dry Goods Co. paid invoice October 30, $3,654.18 less 1%. Paid $681.50 for packing boxes; $105.70 for window repairs. Paid freight and haulage $3,142.85.

15. Sold Vreeland Dress Goods Co., Dept. A $1,750.62, Dept. B $2,325, receiving 30-day 6% note of $3,000 and check for balance of invoice less 4%. Bought of Calumet Bros., Dept. B $1,730.60, accepting 10 days' sight trade acceptance without interest, drawn on us for amount of invoice less 2%. We returned goods received November 14 from Chicago Textile Mfg. Co., Dept. A $1,270.55; Dept. B $132.80. Paid for overhauling truck $210; for postage stamps $83.65.

16. Sold La Vogue Dry Goods Co. at 2/10, n/30, Dept. A $1,035.65; Dept. B $2,120.60; prepaying freight $36.82. Bought of Peter Rogers Co., n/30, Dept. A $2,420.80; Dept. B $2,826.25; in-freight of $28.63. Paid Arrow Advertising Agency for October space $3,500, less special discount of $75 for early payment.

18. Sold Baird & Young, 3/5, n/30, Dept. A $2,545; Dept. B $1,820.40. Bought of Krokaw & Stern Bros., 2/10, 1/15, n/30, Dept. A $3,485.50. Gave New Bedford Mills Co. $1,000 and our 2 months' 6% note #68 for $3,000 to apply on account. Check of $1,872.45 received from McCurdy, Sibley & Edwards, for invoice of October 18 net. Paid chauffeur's fine for passing red light $25. Paid for repairs to office equipment $65.

19. Sold J. T. Adams Co., 2/10, n/30, Dept. A $841.35. Sold Vreeland Dress Goods Co., 2/10, n/30, Dept. B $760.50. S. W. Wiley paid balance invoice November 9, less 2%. Partners completed negotiations for the purchase of the unoccupied building at 6182 North

Cedar St., New York, from the Collins Realty Corp. to be used as a store and warehouse, at a price of $64,187. The property is subject to a first mortgage of $20,000 with interest of 5½% payable June 10 and December 10 of each year. Payments of $250 on the principal are due semi-annually on interest dates—all due on December 10, 1945. The mortgage is assumed by the business. We pay the owner's equity entirely in cash, the partners contributing the following amounts for that purpose: Leary $17,500, Hayes $15,000, Rupert $10,000. Taxes to the extent of $1,192 have accrued to date.

20. Sold Zenith Sales Co., Dept. B $1,538.90, receiving their 30-day 6% note for amount of invoice less special discount of 5%. Bought of Kensington Mills & Mfg. Co., 2/10, n/30, Dept. B $3,261.25; and inward freight of $22.94. Acme Sales Co. paid invoice October 24, $1,270.85 net. Paid Le Froid Printing Co. $731.35 for order forms, statements, etc. Paid for telegrams to date $93.25. Bought bookkeeping machine for cash $390.

21. Sold Wesley & Kellar Dry Goods Co., 2/10, 1/15, n/30, Dept. A $1,624.45; Dept. B $2,362.80; out-freight $43.25. Received on account from Manhattan Dress Goods Co. $2,000. Bought of Johnson & Johnson at n/30, Dept. A $2,350.70; Dept. B $1,820.35. Paid Peter Rogers Co. invoice October 21, $3,422.65 net. Jones & Co. paid invoice October 20, $1,628.40 net. McDonald & McKee paid invoice October 18, $1,426.70 net. Paid $453.15 for mimeograph supplies, record books, etc.

Instructions

November 7. Credit income received for use of truck to Delivery Expense.

November 14. Charge all freight bills to Freight and Cartage In.

November 11. Where reference is made to discount on a specific invoice of which you have record, look back to see whether the gross amount of the invoice included a charge for in-freight or out-freight, as the case may be. The discount is computed on the invoice price after deducting freight charges, on which no discount may be taken.

November 18. Charge the chauffeur's fine to Delivery Expense.

November 19. Be sure you handle correctly the accrued taxes on the property. Also give consideration to the accrued interest on the mortgage.

2. In the firm of R, S, and T, at the beginning of the year, R has a net capital of $25,000; S, $30,000; and T, $45,000. The partnership agreement provides that after crediting interest at 6% on capitals and allowing salaries of $300 each per month to R and S, respectively, and $400 to T, the remaining profit shall be shared ¼ each to R and S, and ½ to T. The net profit for the year amounts to $17,500. The partners have drawn only their salaries.

(a) Draft the entries to record the salary transactions for the month of December.

(b) Set up the appropriation section of the profit and loss statement.

(c) Draft the journal entries to record the distribution of profits.

3. A, B, and C are partners. A is to receive a salary of $2,000 per annum, B $2,500, and C $3,000. The balance of profits, after payment of salaries, is to be divided as to the first $20,000, 2/3 to A, and 1/6 each to B and C; and profits above $20,000 are to be divided equally among the three. A retires from active business, and gives up his right to salary for 19—. The profits for the year, before charging salaries, amount to $35,000. To what extent are A, B, and C, respectively, affected by A's concession?

4. In organizing their advertising agency, Brown and Linder agree to contribute capital as it may be needed. Investments are to be credited with interest at 6% for the actual time employed in the business and withdrawals are to be charged 6% interest. Brown contributes $4,000, January 1; $3,000, April 1; $1,500 September 1; and $5,000, October 1. His withdrawals were $500, February 1; $1,500, June 15; and $1,000, August 15. Linder contributes $5,000, January 1; $3,000, May 1; $4,000, July 1; and $500, October 1. He withdrew $2,000 September 1. The net profits for the year are $6,000.

(a) Set up the appropriation section of the profit and loss statement.

(b) Had the agreement provided for the sharing of profits on the basis of average investments, with no interest adjustments, what would have been the shares of each partner? Show your computations.

Assignment 24

1. (*A continuation of Assignment 23, Problem 1.*) Make a record of the following transactions:

November

22. Sold Argonaut Dress Goods, Inc., n/30, Dept. A $2,670.60; Dept. B $1,338.10. J. T. Adams Co. paid balance invoice November 7, less 1%. Zenith Sales Co. returned merchandise shipped to them November 20, Dept. B $790.25; we issued credit memo to them as of November 20 after making due allowance for the special 5% discount taken when our invoice was paid by note; the credit memo is to be applied against the Zenith note at maturity. Bought of Rochester Textiles, Inc., 2/10, n/30, Dept. B $2,640.80; in-freight of $13.65.

23. Baird & Young paid invoice November 18, less 3%. Returned to Johnson & Johnson Dept. A goods $831.40; Dept. B $192.30; billed to us November 21. Paid Rochester Textiles, Inc., balance Oct. account, $2,747.72 net. Paid Chicago Textile Mfg. Co. balance inv. Nov. 14, less $48.97 special discount. Argonaut Dress Goods Co. paid inv. Oct. 24, $2,631.05 net. The draft on J. L. Bennett drawn by Jones & Co. was protested and returned to us. The bank charged our account with protest fees $1.75.

25. Mr. Rupert donated Dept. B goods $73.85 to St. Mary's Orphans Home, the amount to be charged to his drawing account. Sold McDonald & McKee, 3/5, 2/10, n/30, Dept. A $2,305.10; Dept. B $2,750.65; out-freight $54.20. Bought of Smith, Bier, Gormley Co., 1/15, n/30, Dept. A $1,926.45; Dept. B $3,168.20. Bought Dept. A goods of Anthony Corella & Sons, $2,145.70 and in-freight of $17.28, giving our check in payment of invoice less 3%. La Vogue Dry Goods Co. note was paid today with interest. Paid trade acceptance due today order of Calumet Bros.

26. Baird & Young expressed dissatisfaction with Dept. A goods sent them on November 18. We made a cash allowance of $175 in settlement of their claim. Bought of Calumet Bros., Dept. A $3,630.72; Dept. B $3,820.55; in-freight of $41.19; giving S. W. Wiley's 3 months' 6% note (with accrued interest) in partial payment, balance on account. La Vogue Dry Goods Co., paid invoice November 16, less 2%. Paid our note #62 with interest. Painting office partitions cost $400.

27. Sold Superior Dress Goods Co., n/30, Dept. B $1,745.20. Sold S. W. Wiley, Dept. A $1,250.60, receiving check of $750.60, balance on account. McDonald & McKee returned goods purchased on the 25th, Dept. A $958.20; Dept. B $347.65. Damaged goods included in shipment of November 25 were returned to Smith, Bier, Gormley Co., Dept. A $712.50; Dept. B $491.80. Squire & Llewellyn paid invoice October 25, $2,146.30 net. Stationery supplies were paid in cash $68.90.

29. Sold A. & L. Crapsey, 3/5, 1/10, n/60, Dept. A $3,472.80; Dept. B $4,628.90; out-freight $74.36. Notice was received that Manhattan Dress Goods Co. is in hands of receiver. We filed claims for amounts due us. Bought Dept. B goods $1,740.25 at 2/10, n/30 from M. D. Terwilliger. Inasmuch as it would be inconvenient to move the business at the present time, we leased the North Cedar St. property to John H. Berman for two years, subject to a clause requiring the tenant to vacate on 60 days' notice. Check for monthly rental of $575 was received. Paid: salesmen's commissions $772.50; railroad fares, hotel bills, etc., $924.60.

30. Sold Acme Sales Co., 2/10, n/30, Dept. A $740.25; Dept. B $636.30. Cash sales for November: Dept. A $982.84; Dept. B $670.42. Jones & Co. paid balance invoice November 1, net. Jones & Co. made payment in full of Bennett's draft and protest fees. Cash purchases for November: Dept. A $652.73; Dept. B $780.71. Paid American Woolen Mills on account $2,000. Paid salesmen's salaries $3,540; drivers' wages $312; bookkeeper, office manager, etc., $1,100; watchman, cleaners, etc., $388.96. Paid freight and haulage $2,162.54. Leary drew cash $750; Hayes $500; Rupert $400.

(a) Summarize all books of original entry and post completely.

(b) Take a trial balance as of November 30, 19—, and prove balances of control accounts with totals of subsidiary ledgers. Record the trial balance at the place provided (see page 656 for instructions), using only the first and second money columns for recording the amounts—columns three and four being reserved for the December trial balance. Over the top of the first and second columns enter the date, November 30, 19—. On the first line at the top of the page and near the center, write the title, "General Ledger Trial Balances." Enter similar titles and dates on pages 23 and 24 for the customers' and creditors' accounts.

Instructions

November 22. The word "balance" as in the sentence, "J. T. Adams Co. paid balance invoice November 7, less 1%," calls attention to an adjustment of some sort—return or allowance—which has been or is to be considered in determining the amount still due.

November 23. Charge the protested draft and fees to Jones & Co.

November 26. Make entry first in sales returns and allowances journal. Then record payment in the cash disbursements journal, taking care to post correctly.

November 29. No formal entry is to be made at the time of notification that a receiver has been appointed.

November 30. Charge freight and haulage to Freight and Cartage Inward.

Cash sales will be recorded in the sales journal and included in the debit to Accounts Receivable account at time of summary. To offset this inflated debit, at the time cash sales are recorded the amount will also be entered in the Accounts Receivable column in the cash book—not the General Ledger column—and will thus be included in the credit to the Accounts Receivable account. Cash purchases will be treated in a similar manner.

In summarizing the general journal, first foot all the columns and underline the totals. On the following lines write the summary entry which will appear as follows:

General			General
xxxxxxx	General Ledger	√	
xxxxxxx	Accounts Receivable		
xxxxxxx	Accounts Payable		
	General Ledger	√	xxxxxxx
	Accounts Receivable		xxxxxxx
	Accounts Payable		xxxxxxx

Since the items making up the "General Ledger" totals have already been posted, these items will be checked, no posting being necessary.

In summarizing the sales journal, for the reason stated above, the cash sales need not be segregated from the credit sales in the summary entry.

The purchase journal will be summarized in the same way as the sales journal.

For summarizing the cash book, follow the explanations given in Chapter 18.

2. A. V. Schreiber and James I. Johnson are going to form a partnership to conduct a printing business. Johnson suggests that Schreiber draft the partnership agreement to cover among others the following points:

(a) Division of profits.
(b) Duration.
(c) Salaries.
(d) Interest on capital.
(e) Method of terminating partnership.
(f) Capital contributions.
(g) Withdrawals.

List the provisions you would make under each one of these heads, assuming any specific information needed. Be careful of phraseology so as to make the agreement, from an accounting standpoint, clear and unambiguous.

3. A, B, and C engage in business. A contributes $10,000 capital; B contributes $5,000; while C, in lieu of any capital contribution, agrees to undertake the active management at a salary of $3,000 a year, to be paid monthly.

After allowing 6% interest on capital, they are to divide the net result in the proportions of 5, 3, and 2 respectively.

At the end of 18 months, they ascertain the position to be unfavorable and decide to wind up. The assets realized $12,500; there are no liabilities except for capital and interest thereon and one month's salary, due to C.

Make up the partners' accounts showing the amount to be received by each.

4. Munds, Noone, and Orrin were in business as partners for several years. Munds died December 31, 19—, the close of the fiscal year. The partnership agreement provided that on any change in the firm the goodwill should be taken into account and its value divided, ½ to Munds, and ¼ each to Noone and Orrin. At the date of Munds' death, the firm's balance sheet was as follows:

Cash	$ 1,500		Accounts Payable		$ 8,500
Merchandise	12,000		Munds, net capital	$10,000	
Receivables	15,000		Noone, net capital	5,000	
			Orrin, net capital.	5,000	20,000
	$28,500				$28,500

In January, Noone and Orrin arranged with Peters to form a new partnership in which each would have a ⅓ interest. To secure this, Peters invested $5,000 cash and Noone and Orrin their respective shares in the old partnership. In settling up the old partnership to determine capital interests

on the date of Munds' death, goodwill is valued at $3,000 and an allowance is made for uncollectible accounts of 2½% of the receivables. By agreement the new firm assumes all obligations and takes over all assets of the old firm. In settling the obligation due Munds' estate, it pays over $5,000 in cash, the balance to remain as a loan bearing 5% interest.

(a) Make the necessary entries to open the books of the new firm and write off the goodwill as the partners do not wish it to be shown.

(b) Make the entries to close the books of the old partnership.

5. Brown, Black, and Green were engaged in a merchandise business as partners. On December 31, 19—, a balance sheet, to which all of the partners agreed, showed the following financial position in the business:

Assets		*Liabilities*		
Real Estate	$10,000	Mortgage Payable		$ 4,000
Horses, Wagons and Fixtures	5,000	Accounts Payable		30,000
Merchandise on hand	14,000	Brown:		
Accounts Receivable	38,000	Capital account	$25,000	
Cash in bank and on hand	14,000	Drawing account	10,000	35,000
Green	1,000	Black:		
		Capital account	15,000	
		Drawing account	2,000	13,000
	$82,000			$82,000

The profits are shared in the following proportions: Brown, ½; Black, ⅓; and Green, ⅙. It was decided to dissolve the partnership as at the date of the above balance sheet. The real estate was sold for $13,000. Bad debts and discounts allowed amounted to $5,000. The merchandise realized $12,000, and the horses, wagons, and fixtures were sold for $3,000. The mortgage on the property was paid off, interest thereon amounting to $80. The accounts payable were paid, less discounts amounting to $1,000. The expenses incurred during the period of realization amounted to $3,000.

After the assets had been realized and all the liabilities had been discharged, Green became bankrupt, and a claim was made against his estate for the amount due from him to the firm on the dissolution and only 20 cents on the dollar was received.

By the end of the year, all matters were disposed of. Set up the Profit and Loss account, Cash account (in summary form), and the Capital and Drawing accounts of the partners, and close the books of the firm.

Assignment 25

1. (*A continuation of Assignment 24, Problem 1.*) Make record in the various books of original entry for the following December, 19—, transactions of Leary, Hayes & Rupert, the figure at the left margin indicating the day of the month of December.

December

2. Sold Woodworth & Co., 2/10, n/30, Dept. A $1,745.90; Dept. B $840.65; out-freight $21.28. Sold Monroe County Dry Goods Co., n/30, Dept. A $1,520.60. Bought of Peter Rogers Co., 3/5, 2/10, n/30, Dept. A $3,930.85; Dept. B $2,101.50; in-freight $53.18. A. & L. Crapsey paid invoice October 28, $1,986.10, less special discount of $11.10. Kenesaw National Bank deducted from our account the face and interest of our note #65. Paid automobile liability insurance $256.10. Gave check of $250 to Community Chest. Received $318.75 interest on Liberty bonds. Gasoline and oil supplies cost $795.62.

3. Bought of Chicago Textile Mfg. Co., 1/10, n/30, Dept. A $2,659.20; Dept. B $837.30. Paid Anthony Corella & Sons $2,106.85 on account. Paid Krokaw & Stern Bros. invoice November 18, less 1%. Superior Dress Goods Co. paid on account $8,773.68, net. Paid Motor Truck Service $245.60 for delivery service. Sundry office expenses were paid in cash $254.70. Sold miscellaneous ends of merchandise stock for cash $90. Paid $2,230 for additional shelving and counters.

4. Sold R. H. Cooke & Co. Dept. A $2,504.35; Dept. B $2,212.30; receiving check of $1,716.65, balance due in 30 days. Bought of American Woolen Mills at 2/10, n/30, Dept. A $3,132.05. Paid Peter Rogers Co. balance October account, $2,942.99 net. Paid New Bedford Mills Co. balance invoice November 5, net. S. W. Wiley paid balance October account, $1,374.04 net. Paid $381.79 for miscellaneous office supplies. Analysis of November freight bills showed that $594.24 was for freight on sales.

5. Sold McCurdy, Sibley & Edwards, 1/10, n/15, Dept. A $1,647.55; Dept. B $2,080.20; out-freight $38.92. McDonald & McKee paid balance invoice November 25, less 2%. Bought Dept. B merchandise $3,084.25 at n/30 from Krokaw & Stern Bros.; in-freight $26.42. Chicago Textile Mfg. Co. sent us credit memo of $100 for shortage found in Dept. B goods received December 3. Wesley & Kellar Dry Goods Co. paid invoice November 5, net.

6. Sold Jones & Co., Dept. A $842.75; Dept. B $685.20; receiving their 20-day 6% note $1,500 in full payment. Received $621.25 from Argonaut Dress Goods Co. in payment of invoice of November 6, net. Dept. A goods $194.25 and Dept. B goods $1,120.35 were returned by R. H. Cooke & Co. as not answering to description of order billed to them on December 4. Paid rent of garage for 1 month in advance to January 7, $80. Paid $482.16 for boxes, crates, and nails.

7. Sold Baird & Young, 2/10, n/30, Dept. A $1,589.25. Paid Rochester Textiles, Inc., on account $1,000. Paid Smith, Bier, Gormley Co. on account $2,200. Squire & Llewellyn gave us their check of $1,000 to apply on account.

9. Sold McDonald & McKee at 3/5, 1/15, n/30, Dept. A $1,634.90; Dept. B $1,238.75; out-freight $23.48. Sold Woodworth & Co., 2/10, n/30, Dept. A $872.85. Receivers for Manhattan Dress Goods Co. paid an initial liquidating dividend of 30%. Paid M. D. Terwilliger invoice November 29, less 2%. Paid rent to January 8, $1,000. Paid city taxes on North Cedar St. property $1,265.20.

10. Sold S. W. Wiley, 2/10, n/30, Dept. A $1,475.20; Dept. B $790.65. Bought of Johnson & Johnson, n/30, Dept. A $1,637.42. Bought of Rochester Textiles, Inc., 2/10, n/30, Dept. B $1,588.65; freight inward $18.22. Paid Neal L. Thulin $225 for brokerage fees in connection with building and lot purchased November 19. A. & L. Crapsey paid invoice November 8, net. Truck tires cost $275. Paid printer $785 for invoices and office forms. Made semi-annual interest and principal payment on mortgage.

11. Sold Acme Sales Co., 1/10, n/30, Dept. B $2,148.32; out-freight $14.65. S. W. Wiley returned Dept. A goods $812.45 shipped to him on the 10th. Paid Calumet Bros. balance October account, $2,772.22. Paid Kensington Mills & Mfg. Co. invoice of November 11, less special discount of 1%. R. H. Cooke & Co. paid invoice November 4, net. McCurdy, Sibley & Edwards paid invoice November 11, net. Vreeland Dress Goods Co. gave us check of $2,300 to apply on account. Paid November telephone bill $88.64; electric light bill $418.23.

12. Sold McCurdy, Sibley & Edwards, n/30, Dept. A $2,470.60; Dept. B $654.55. Bought of New Bedford Mills Co., 2/10, n/30, Dept. A $2,185.40; Dept. B $1,641.25. Paid Peter Rogers Co. invoice December 2, less 2%. Acme Sales Co. paid invoice November 12, net. Woodworth & Co. paid invoice December 2, less 2%. Paid Apex Office Supply Co. $341.80 for office supplies. Paid for November heating service $572.41. Paid freight and haulage $1,704.20.

13. Sold Zenith Sales Co., 2/10, n/30, Dept. A $1,438.90; Dept. B $730.45. Dept. B goods $785.90 shipped to Acme Sales Co. on December 11, were returned by them today. Bought of M. D. Terwilliger Dept. B merchandise $1,764.52, giving our check of $764.52, balance on account. Paid Chicago Textile Mfg. Co. balance invoice December 3, less 2%. Paid $254.20 for paper and wrapping supplies. Paid $315 for repairs to gutters and conductor pipes on North Cedar St. building.

14. Sold Squire & Llewellyn, n/30, Dept. A $1,621.40; Dept. B $1,240.60; receiving check of $1,000 to apply on invoice. Merchandise shipped to us December 12 was returned to New Bedford Mills Co., Dept. A $961.25; Dept. B $313.70. Monroe County Dry Goods Co. paid invoice November 14, less 1%. Received refund from Central New York Railroad $32.85, for overcharge on demurrage.

16. Sold Argonaut Dress Goods Co., n/30, Dept. A $1,526.30; Dept. B $745.80; receiving J. N. Thompson's 30-day 6% note of $2,000, dated December 7 to apply on invoice; due allowance is made for accrued interest on the note. McCurdy, Sibley & Edwards paid invoice December 5, less 1% of the bill, including prepaid freight, this being allowed by us. R. H. Cooke & Co. paid note with interest due today. Vreeland Dress Goods Co. paid their note with interest. Paid our note #66 with interest. Paid advertising as per contract $3,500. Leary drew cash $750; Hayes $500; Rupert $400.

Instructions

December 4. All freight bills are charged originally to Freight and Cartage Inward. This entry takes out of the account freight paid on sales, and charges it to Freight Outward.

December 9. A liquidating dividend represents the amounts disbursed by a receiver to the creditors of the bankrupt.

December 10. Be careful of the manner in which payment of these fees is handled.

December 14. Credit the amount received from the railroad on demurrage overcharge to Freight and Cartage Inward.

2. A. B. & Co. agree with C. D. & Co. that the latter shall ship on consignment to Honolulu on joint account 20 cases of Commodity X, the invoice price of which is $2,100, less 2½%. A. B. & Co. pay the packing charges $25; also freight, insurance and other charges $90; and they draw on their correspondents in Honolulu in advance for $1,600 at 90 days, which is discounted at a cost of $20, and the proceeds handed to C. D. & Co. as part payment. These transactions may be dated March 1, 19—. On the 30th of November, 19—, A. B. & Co. receive the account sales and net proceeds, $418, and they then pay C. D. & Co. the balance due to them.

Prepare a Joint Consignment Account charging interest on the amount lying out at 5% per annum for nine months, closing it by dividing the loss; also an account to be rendered by A. B. & Co. to C. D. & Co. closed by payment of the balance, and prove that the losses borne by each are equal.

3. Wilcox & Phillips are forced to dissolve partnership because of inability to pay their creditors. The copartnership agreement provides that during the period of operation, profits are to be shared equally but that in the event of dissolution, losses are to be borne ⅔ by Wilcox and ⅓ by Phillips. Before liquidation, Wilcox's net investment was $15,000 and Phillips $8,000. During the process of liquidation, they pay off all their debts but one, viz., Carter & Co.'s claim for $25,000. For this purpose they have a cash balance of $20,000 and nothing else, as all the firm's assets have been realized on. Both partners are solvent and will make such additional contributions from private funds as may be necessary.

Present a statement showing the amount to be contributed by the partners. Also draw up the capital account of each partner.

4. The partnership balance sheet of Behrle & Holland, as of December 31, 19—, is as follows:

Cash	$ 10,000	Accts. Payable	$ 55,000
Accts. Receivable	100,000	Mtge. Payable	70,000
Mdse. Inventory	45,000	Deprec. Reserve Plant and Equipment	30,000
Securities	25,000	Behrle, Capital	80,000
Plant and Equipment	125,000	Holland, Capital	70,000
	$305,000		$305,000

The business is becoming very profitable and they believe it best to install a set of private books, consisting of a private journal and ledger, on which will be opened accounts for Merchandise Inventory, Securities, Depreciation Reserve Plant and Equipment, and each of the partners—these private books to be kept by Holland. This is accordingly done, reciprocal control accounts being provided for each ledger.

During the first 6 months' operations, the following transactions took place: (1) sales on account $450,000; (2) purchase on account $375,000; (3) operating expenses paid in cash $75,000; (4) cash collected from customers $420,000; cash paid to merchandise creditors $320,000, for additions to plant $10,000, for securities bought $7,500, to Behrle for salary $3,600, and to Holland for salary $4,200.

At the close of the 6 months' period, the partners, who share profits equally, find the inventory to be $90,000. They estimate the depreciation for the period to be $4,000.

(a) Make entries, in journal form, to record the above transactions on the general books.

(b) Record, in journal form, the above transactions on the private books.

(c) Determine the net profit and close each set of books.

(d) Draw up a balance sheet from the data on both sets of books.

5. In the copartnership agreement of Edwards & Wilkes, it is provided that: (1) the partners are to be credited with interest at the rate of 6% per annum on their capital investments; (2) profits are to be shared equally; (3) in the event of death of a partner, the business is to be carried on to the end of the next fiscal period when profits will be determined in the usual way and the portion belonging to the part of the period during which the deceased was a partner shall be prorated on a time basis, the exact number of days being used; (4) for the purpose of determining the share of a deceased or retiring partner, the value of the goodwill is to be computed as 2/5 of the net partnership profits of the last 5 full periods next preceding the date of death or retirement; (5) the capital interest as determined on date of death is to bear interest at the rate of 6% until liquidated.

Wilkes died on August 7, 19—. At the close of the fiscal period December 31, a condensed trial balance showed as follows:

Cash	$ 20,000	
Receivables	110,000	
Reserve for Doubtful Accounts		$ 7,500
Merchandise	55,000	
Securities	30,000	
Plant and Equipment	150,000	
Depreciation Reserve Plant and Equipment		30,000
Notes Payable		55,000
Accounts Payable		45,000
Mortgage Payable		65,000
Edwards, Capital		40,000
Edwards, Personal	4,800	
Wilkes, Capital		70,000
Wilkes, Personal	3,600	
Sales		581,500
Purchases	400,000	
Operating Expenses	120,600	
	$894,000	$894,000

The inventory at the close of the year is $35,000. Three-fourths of 1% of net sales are to be reserved for bad debts. Depreciation of plant and equipment at 5% is to be charged. Accrued expenses are $2,000 and prepaid items to be deferred amount to $1,000. The profits for the past 5 preceding years have been $32,175, $26,298, $21,675, $24,641, and $35,223.

(a) Determine the capital interest of Wilkes on the date of his death.

(b) Draft a balance sheet as of December 31.

Assignment 26

1. (*A continuation of Assignment 25, Problem 1.*) Make a record of the following transactions:

December

17. Sold Jones & Co., 2/10, n/30, Dept. A $1,145.95; Dept. B $367.25. Sold McCurdy, Sibley & Edwards, n/30, Dept. A $2,460. Bought of Kensington Mills & Mfg. Co., Dept. A $2,908.95; Dept. B $2,130.75; giving them our note #69 in payment of invoice less 3%. Note does not bear interest, but interest in the amount of $195.54 is included in its face. Paid $318.28 for office expenses incurred. Paid $73.25 for check protector.

18. Sold Baird & Young, Dept. A $1,448.25; Dept. B $642.50; receiving check of $1,000 on account. Bought of Johnson & Johnson, 2/10, 1/15, n/30, Dept. B $862.30. Paid M. D. Terwilliger on account $2,000. Jones & Co. gave us their check of $1,000 on account. Paid $171.85 for twines and packing materials. Bought Fleetwing Speed Wagon from Marion Truck Co. for $3,650 and freight of $312.60 from Detroit. Gave our check of $1,962.60 and 3 months' non-interest-bearing note #70 for remainder.

19. Sold Vreeland Dress Goods Co., 2/10, 1/15, n/30, Dept. A $780.90; out-freight $8.76. Sold packing materials for cash $31.25. Bought of Peter Rogers Co., n/30, Dept. A $2,251.62; Dept. B $1,812.70; in-freight $27.32. Bought of American Woolen Mills, 2/10, n/30, Dept. A $1,618.05. J. T. Adams Co. remitted for invoice November 19, net. Telegraph service to date was paid in cash $71.82. Paid $446.23 for insurance policies—elevator, fire, plate glass, and burglary.

20. Sold La Vogue Dry Goods Co., 1/15, n/30, Dept. A $1,040.75; Dept. B $1,462.55. Zenith Sales Co. paid note due today, with interest, offering as partial payment credit memo issued to them on November 22. S. W. Wiley paid balance invoice December 10, less 2%. Returned Dept. A merchandise $418.30 to American Woolen Mills, included in their shipment of the 19th. Check for $500 received to apply on account of Superior Dress Goods Co.

21. Sold R. H. Cooke & Co., n/30, Dept. A $325.65; Dept. B $645.60. La Vogue Dry Goods Co. returned merchandise Dept. A $410.85 and Dept. B $578.60, shipped to them December 20. Paid Johnson & Johnson balance invoice November 21, net. Zenith Sales Co. paid invoice December 13, less 2%.

23. Sold Zenith Sales Co., 2/10, n/30, Dept. A $1,470.65; Dept. B $1,920.35. Bought from Calumet Bros., 1/15, n/30, Dept. A $3,245.05. Anthony Corella & Sons drew on us at sight for the balance due on our account $3,000. We honored the draft on presentation. Argonaut Dress Goods Co. paid $2,008.70 to apply on invoice November 22. Received $2,500 of Wesley & Kellar Dry Goods Co. to apply on their account.

24. Sold A. & L. Crapsey, n/30, Dept. A $1,095.40; out-freight $12.48. Bought of New Bedford Mills Co. Dept. B $2,874.20 and in-freight $16.42, making payment in full, less special cash discount of 4%. Paid Rochester Textiles balance inv. Nov. 4 and $1,000 on account. Paid annual dues $150 in Credit Men's Association. A desk which cost $45 was transferred from the store to the office.

26. Sold Superior Dress Goods Co. for cash Dept. A $1,743.20 less 2%. Sold Wesley & Kellar Dry Goods Co., n/30, Dept. A $1,215.40; Dept. B $1,642.80. Bought of Krokaw & Stern Bros., 2/10, 1/30, n/60, Dept. A $1,631.22. McDonald & McKee gave us their check for $1,250 to apply on account. At the request of Jones & Co. we extended payment 10 days on their note due today. Paid for stationery supplies $655. Paid freight and haulage $1,158.63.

27. Sold J. T. Adams Co. Dept. A $1,225.40; Dept. B $1,261.80; out-freight $21.75; receiving 30-day non-interest-bearing note in payment. Received check of Acme Sales Co. to apply on account $1,000. Paid auditor's services to date $535.

28. Received final liquidating dividend of 20% on our claim against Manhattan Dress Goods Co. Wesley & Kellar Dry Goods Co. returned goods shipped to them on December 26, Dept. A $285.20, Dept. B $543.70. Received check for $575 for rent of building. Vreeland Dress Goods Co. paid invoice December 19, less 2%; also invoice November 19, net. Paid sales salaries $2,275; truck drivers' and shipping clerks' wages $347.93; office salaries $990; general wages $334.28.

30. Sold Argonaut Dress Goods Co., 3/5, 2/10, n/30, Dept. A $1,862.50; out-freight $11.92. Bought of Chicago Textile Mfg. Co., 3/5, 2/10, n/30, Dept. A $1,141.28; Dept. B $872.15; in-freight $37.21. We returned Dept. A merchandise $136.80 to Krokaw & Stern Bros., received from them on December 26. S. W. Wiley paid their account in full to date $500. Paid salesmen's commissions $657.65; traveling expenses $531.20.

31. Sold Monroe County Dry Goods Co., 2/10, n/30, Dept. A $1,594.20; Dept. B $874.25; receiving check of $800 in partial payment. Cash sales for December: Dept. A $1,219.54; Dept. B $680.08. Sent credit memo of $200 to A. & L. Crapsey for damages discovered by them in Dept. A goods shipment of the 24th. Squire & Llewellyn paid $1,000 on account. Paid cash for miscellaneous office supplies $316.45. Cash purchases for December: Dept. A $799.66; Dept. B $316.08. Analysis of December freight bills shows that $275.32 was paid for freight on sales.

Instructions

December 17. Prepaid interest included in the face of the note is to be charged to Interest Expense.

December 24. Disregard the item of depreciation on the desk transferred to the office.

December 26. No formal entry is needed to record the extension of date of payment on Jones & Co.'s note. A memo in the Note Receivable account should indicate the new due date.

December 28. Charge the loss on our claim against the Manhattan Dress Goods Co. to the Reserve for Doubtful Accounts.

2. On February 1, 19—, The Disinfectant Co. is organized in the State of New York with an authorized capital stock of $100,000 divided into 1,000 shares of a par value of $100 each. The corporation is given the power to manufacture, sell, and distribute disinfectants of all kinds. A, B, C, and D each subscribe to 100 shares at par, and the balance is to remain unissued until the board of directors feel that additional capital is needed. On February 4, subscribers pay for their stock in full. The organization expenses are $1,000.

Write up the formal opening statement in the journal and prepare the entries—in journal form—to record the above transactions.

3. The South West Transportation Co. is organized with an authorized capital stock of $150,000 divided into 3,000 shares of a par value of $50

each. The original incorporators subscribe for 1,000 shares at $45 per share. Subscriptions are received from others as follows: 600 shares at $52, 600 at $51, 200 at par, and the balance remains unissued. Cash payment in full accompanied each subscription.

Make the necessary entries to record these transactions.

4. The Fast-Auto Co. is incorporated with an authorized capital stock of $250,000 divided into 1,500 shares of 6% preferred stock and 1,000 shares of common stock, both of a par value of $100 each. The 1,000 shares of common are subscribed and paid for by the incorporators at par. The preferred stock is subscribed for at $104, payable $54 in cash and the remainder in two equal instalments, the first payable within 10 days and the second at the end of 6 months. The cash payment is received on all subscriptions and $1,500 from the first call.

Journalize the above transactions and draw up a balance sheet.

5. The Gem Corporation is formed with an authorized capital stock consisting of 10,000 shares of no-par value. A subscribes for 1,000 shares at $25, B for 1,500 shares at $25, C for 1,750 shares at $25, and D for 3,250 shares at $23.50 each. A, B, and C pay for their shares in cash. D pays for his subscription in full by turning over a business which he was conducting. The corporation confirms this purchase and acquires the assets and assumes the liabilities of D's business. D's balance sheet on date of purchase is as follows:

Plant	$ 45,000	Accounts Payable	$ 45,000
Merchandise	60,000	Mortgage Payable	30,000
Accounts Receivable	24,375	D's capital	76,375
Notes Receivable	22,000		
	$151,375		$151,375

Organization expenses of $1,500 are paid in cash.

(a) Make the opening entries—in journal form—for the corporation.

(b) Draw up a balance sheet of the corporation.

(c) Make the entries—in journal form—to close D's books.

6. X, Y, and Z form a corporation, called the Connecticut Grocery Co., with an authorized capital stock of $75,000, the three incorporators subscribing for the stock in equal amounts. The corporation takes over at a valuation of $50,000 the business—exclusive of the cash—formerly operated by X and Y. X and Y execute a bill of sale transferring title to the corporation, whereupon their subscription contracts are recorded as fully paid and certificates of stock are issued to them. The remainder of the stock is subscribed for by Z who pays cash for it. The balance sheet of X and Y on January 31, 19—, the date of the sale, is as follows:

Cash	$ 5,000	Accounts Payable	$10,000
Accounts Receivable	10,000	Mortgage Payable	7,000
Merchandise	27,000	X, Capital	22,500
Plant	20,000	Y, Capital	22,500
	$62,000		$62,000

(a) Record, in journal form, all of the above transactions on the books of the corporation, giving full explanations.

(b) Close the books of the partnership and show the distribution of the corporation's stock to X and Y.

Instructions

Problems 5 and 6. Follow the illustration of journal entries on pages 362-364.

Assignment 27

1. (*A continuation of Assignment 26, Problem 1.*)

(a) Summarize completely and post all journals.

(b) Take a trial balance of the general ledger as of December 31. Record the trial balance figures in the third and fourth money columns in the section set aside for trial balances. Enter the date, December 31, 19—, over these columns.

(c) Prove the subsidiary ledgers against their respective controlling accounts. Record the lists of customer and creditor account balances in the third and fourth money columns of the trial balance section reserved for this purpose.

2. A, B, and C organize the Fond Hope Gold Mining Co. with an authorized capital stock of 10,000 shares of no-par common. They take over properties valued at $1,000,000 which are paid for by the entire issue of stock. To provide for working capital, 3,000 shares are donated to the treasury. 2,000 shares are sold for 50% of its original book value.

Journalize the above and present a balance sheet.

3. Smith and Co. is incorporated on June 1, 19—, with an authorized capital stock of $1,000,000 divided into 10,000 shares of common stock, par value $50; and 5,000 shares of preferred, par value $100.

The corporation takes over the assets of L. C. Smith as follows: plant and equipment $250,000; land $100,000; merchandise $50,000. L. C. Smith accepts common stock in payment.

Subscriptions of 1,000 shares of common at par are received, accompanied by a payment of 40%. L. C. Smith donates 200 shares of his stock to the treasury. Subscriptions of 2,500 shares of preferred at par are received. 100 shares of treasury stock are sold at $55 cash. 1,000 shares of common are subscribed for at $54. The remainder of the treasury stock is sold at $56 cash.

Payment is received for balance due on the 1,000 shares of common stock. Amount of $10,000 is received to apply on subscriptions for preferred and $8,000 to apply on subscriptions to the common stock.

Journalize the above transactions and draft a balance sheet.

4. The X, Y, Z Corporation mortgaged its property to secure a $1,000,000 issue of bonds, par value being $1,000. The bonds bear interest at 5%, payable semi-annually on January 1 and July 1, and run for 10 years.

On January 1, half of the bonds are sold for cash at 97½. On March 1, the balance is sold at 100½ and accrued interest; underwriting and other expenses amount to $7,500. On July 1, bond interest is paid.

Journalize the above transactions.

5. Draft entries, in journal form, for the following transactions:

(a) The company receives 1,000 shares of convertible preferred stock, par $100, and selling in the market at 102½, for conversion into no-par common, selling at 51¼. The agreement provides for conversion of 1 share of preferred into 2 shares of common. The last sale of its common was made by the company at $40. It has unissued common sufficient for conversion purposes.

(b) The indenture covering a bond issue of $250,000 provided for a sinking fund for redemption to be set aside out of profits. This has been done. The securities in the fund are sold for $256,750 at maturity of the bond issue and the bonds are redeemed.

Assignment 28

1. (*A continuation of Assignment 27, Problem 1.*) The following adjustments are to be considered in order to arrive at the results of operations for the year ended December 31, 19—:

Accrued interest expense.	$ 21.50	Accrued office salaries...	$ 73.33
Accrued salesmen's salaries	315.00	Accrued taxes on real estate	71.00
Accrued advertising expense	1,725.00	Accrued mortgage interest	73.84
Accrued delivery expense	21.00		

Depreciation for the period is to be computed on the balance in the asset accounts at the following rates: store furniture and fixtures, 12½%; office furniture and fixtures, 10%; delivery equipment, 20%; buildings (estimated for the short period of ownership), ¼%. Allow ½% of net sales for debts which may prove uncollectible.

Accrued Interest Income	$ 32.61	Unexpired Insurance ...	$ 624.85
Accrued Rentals Income	55.60	Prepaid Association Dues	140.00
Merchandise Inv., Dept. A	28,624.25	Prepaid Advertising ...	125.00
Merchandise Inv., Dept. B	17,530.70	Inv. of Shipping Supplies	182.65
Deferred Rent Expense.	258.00	Inv. of Office Supplies..	63.20
Deferred Interest Expense	7.84	Inv. of Printing and Stationery	71.90

Apportion in-freight to Dept. A and Dept. B on basis of net purchases.

(a) Using the above information, prepare an accountant's work sheet.

(b) Make the formal adjusting entries in the general journal, using the work sheet as a guide.

Instructions

In preparation of the work sheet, follow carefully the form and procedure given in Chapter 19. Immediately following and on the same page with the work sheet, provide for showing the distribution of profits and interest and salary adjustments. The following illustration will indicate how this may be done:

Items	Profit and Loss		X, Personal 36%		Y, Personal 44%		Z, Personal 20%	
Net profit as above.....	.....	18,364						
Salary allowances.....	5,400	.....	.....	2,400	.....	3,000		
Partners' drawings.....	.....	.....	3,000	.....	3,100	.....	1,500	
Interest on excess drawings..	.....	36	18	.....	3	.....	15	
Interest on capitals.....	3,000	.....	.....	900	.....	600	.....	1,500
Balance distributed in profit and loss ratio.....	10,000	.....	.....	3,600	.....	4,400	.....	2,000
Balance of personal accounts	.....	.....	3,882	.....	4,897	.....	1,985	
	$18,400	$18,400	$6,900	$6,900	$8,000	$8,000	$3,500	$3,500

The item "Net profit as above" is taken from the work sheet. The Profit and Loss columns, in conjunction with the detailed distribution shown in the "Partners' Personal" columns just above, contain all the data needed for the appropriation section of the profit and loss statement and also for distributing the net profit shown by the Profit and Loss account. By entering the drawings in the "Partners' Personal" columns, those columns are made to develop the amount of undrawn profits of each partner. They thus contain the same information which the respective personal accounts will contain after the ledger is closed. The work sheet with this appended analysis of profits and partners' personal accounts, contains all of the information needed both for drawing up the formal statements and for adjusting and closing the books.

2. On February 28, 19—, the following data are taken from the books of the Arnold Manufacturing Co.:

Raw materials requisitioned $150,000; raw materials purchased $100,000; direct labor payroll $275,000; factory expenses (including indirect labor of $50,000) $200,000; finished stock manufactured during the month is composed of raw materials $125,000, direct labor $150,000, and burden $140,000; raw materials inventory February 28 is $80,000.

(a) Give entries in journal form to record these transactions.

(b) Show all ledger accounts affected in "T" form.

(c) Present a trial balance.

Assume all payments above were in cash.

3. The data below are taken from the books of the Price Manufacturing Co. on December 31, 19—:

Raw Materials Inv., Dec. 1	$20,000	Factory Expense	$18,000
Raw Materials Inv., Dec. 31	18,000	Heat	4,000
Goods in Process Inv., Dec. 1	17,000	Light	3,000
		Power	1,000
Goods in Process Inv., Dec. 31	23,000	Insurance	900
		Taxes on Factory Buildings	800
Raw Materials Purchases	40,000		
In-Freight	3,800	Repairs on Factory Buildings	2,000
Raw Materials Returns	2,100		
Direct Labor	60,000	Depreciation Factory Buildings	1,200
Indirect Labor	20,000		
Superintendency	3,000	Depreciation Machinery	3,000
Factory Supplies	4,000	Machinery Repairs	2,500
		Misc. Factory Expenses	5,000

Prepare a statement of cost to manufacture for the month of December. Use the form illustrated on page 396.

4. (*A continuation of Problem 3.*) Using the following additional data draw up a statement of profit and loss for the Price Manufacturing Co. for the month of December:

Finished Goods Inv., Dec. 1	$ 26,000	Printing and Stationery	$ 320
		Telephone and Telegraph	100
Finished Goods Inv., Dec. 31	34,000	Depreciation Delivery Equipment	525
Sales	253,000	Depreciation Furniture and Fixtures	225
Sales Returns and Allowances	11,300	Depreciation Buildings	1,100
Sales Salaries	2,600	Taxes	125
Delivery Expense	1,700	Bad Debts	1,210
Advertising	5,000	Insurance	900
Sales Commissions	12,000	Collection Costs	1,200
Out-Freight	1,120	Interest Income	425
Warehouse Rent	275	Interest Cost	700
Office Salaries	750	Sales Discounts	3,500
Office Expense	450	Purchase Discounts	1,000

Assume that none of the new data given above applies to the factory.

Assignment 29

1. (*A continuation of Assignment 28, Problem 1.*) Draw up a pro forma balance sheet and a statement of profit and loss for the year for Leary, Hayes & Rupert. These statements are to be set up on unruled, letter-sized paper (8½ x 11 in.) and typewritten, if possible. In drawing up the balance sheet, head it as follows:

Exhibit A

LEARY, HAYES & RUPERT

BALANCE SHEET

December 31, 19—.

Show the total of all customers' accounts as "Accounts Receivable (See Schedule A-1)." Attach to the balance sheet a list or schedule of all customers' accounts to support the title "Accounts Receivable (See Schedule A-1)," carried in the balance sheet. Give to it as a formal heading:

Schedule A-1

LEARY, HAYES & RUPERT

LIST OF ACCOUNTS RECEIVABLE

December 31, 19—.

The data for the schedule come from the customers ledger list or trial balance for December 31, 19—.

Attach schedules also for the other groups of items appearing in the balance sheet, viz.: Prepaid Expenses—under which include in addition to the other items listed, the office supplies, shipping supplies, and printing and stationery supplies still on hand—Accrued Income; Accounts Payable; and Accrued Expenses.

The use of schedules relieves the balance sheet of much detail and renders it more intelligible; it also makes the detail available if desired.

Set up the net worth section of the balance sheet as follows:

Net Worth

Edwin G. Leary:		
Capital	$xxxxx	
Undrawn Profits (See Schedule A-6)	xxxxx	$xxxxx
Geoffrey Hayes:		
Capital	$xxxxx	
Undrawn Profits (See Schedule A-6)	xxxxx	$xxxxx
Etc.		

Supporting Schedule A-6 will appear as follows:

Schedule A-6

LEARY, HAYES & RUPERT

UNDRAWN PROFITS, DECEMBER 31, 1929

Distributions of Profits	Leary 40%	Hayes 35%	Rupert 25%
Salary for the year	$xxxx	$xxxx	$xxxx
Interest on capital	xxxx	xxxx	xxxx
Share of Profit and Loss	xxxx	xxxx	xxxx
Totals	$xxxx	$xxxx	$xxxx
Deduct:			
Interest on overdrafts	$xxxx	$xxxx	$xxxx
Drawings for the year	xxxx	xxxx	xxxx
Totals	$xxxx	$xxxx	$xxxx
Undrawn profits	$xxxx	$xxxx	$xxxx

The data for this schedule are secured from the "Profits Distribution" section of the work sheet.

Where the record of the period's business has been made by departments, it is desirable that the summary for the period show departmental results, at least so far as the gross profit stage. To get rid of the detail on the face of the statement, schedules may be appended showing such items as Cost of Goods Sold, the group of Selling Expenses, the group of General Administrative Expenses, etc. Such a statement of profit and loss, supported by schedules, is called a condensed profit and loss statement. This is explained and illustrated more fully in Chapter 30, pages 444-446. Such a statement for a departmental business is shown by the illustration below. Only Schedule B-1 is given; the other schedules are merely lists with their totals shown.

Exhibit B

JACKSON EDWARDS COMPANY
STATEMENT OF PROFIT AND LOSS
For the Year Ended December 31, 19—

	Department A	Department B	Total
Sales	$100,000.00	$150,000.00	$250,000.00
Less: Returns and Allowances	5,000.00	6,000.00	11,000.00
Net Sales	$ 95,000.00	$144,000.00	$239,000.00
Cost of Goods Sold (Schedule B-1)	60,000.00	90,000.00	150,000.00
Gross Profit	$ 35,000.00	$ 54,000.00	$ 89,000.00
Selling Expenses (Schedule B-2)	$ 35,000.00		
General Administrative Expenses (Schedule B-3)	20,000.00		
Financial Management Expenses (Schedule B-4)	5,000.00		
Total Operating Expenses		$ 60,000.00	
Financial Management Income (Schedule B-5)		2,000.00	
Net Operating Expenses			58,000.00
Net Profit for the Period			$ 31,000.00

Schedule B-1

JACKSON EDWARDS COMPANY
COST OF GOODS SOLD
For the Year Ended December 31, 19—

	Department A	Department B	Total
Inventory, January 1, 19—	$ 12,000.00	$ 18,000.00	$ 30,000.00
Purchases	60,000.00	87,500.00	147,500.00
In-Freight	3,500.00	5,000.00	8,500.00
Totals	$ 75,500.00	$110,500.00	$186,000.00
Deduct:			
Purchase Returns	$ 2,000.00	$ 3,000.00	$ 5,000.00
Inventory, December 31, 19—	13,500.00	17,500.00	31,000.00
Totals	$ 15,500.00	$ 20,500.00	$ 36,000.00
Cost of Goods Sold	$ 60,000.00	$ 90,000.00	$150,000.00

In the statement of profit and loss, after the item "Net Profit for the period," no Appropriation section need be shown, as this information is given by balance sheet Schedule A-6 above.

Excepting for the Accounts Receivable and Accounts Payable schedules, the detailed data for balance sheet and profit and loss statement come from the work sheet drawn up for the preceding assignment.

2. From the accounts payable ledger of The Paper Box Co. the following data are taken showing the separate invoices covering unpaid purchases as on September 30:

Ananthan & Co.	$142.72	S. Briskin	$457.60
Ampro-Knit Products Co.	125.14	Chattham Knitting Co.	126.79
	376.12		321.08
Max Bandler	185.02	Joseph Copp	364.02
Bodex and Fogel	97.40	John Day	45.20
	200.07		187.16
Berger Knitting Mills	184.52	Deerin & Lawrence	287.84

(a) Close the accounts payable ledger and its controlling account.

(b) Draw up a form of voucher register and transfer to it the above accounts and show them properly distributed.

(c) Open the necessary control account on the general ledger, entering the balance in it.

3. (a) Prepare a form of voucher register and enter in it the items listed below. Assume that a voucher is issued for each transaction. Number vouchers starting with #750.

February

1. Voucher is issued for rent payable to Thomas Hare $450.
2. Invoice for merchandise from Otis & Skinner $378.13, terms 2/10, n/30. Invoice for office furniture from Carpen & Co. $312, terms 5/30, 2/60, n/90.
3. Freight bill from N. Y. C. R. R. for merchandise received from Otis & Skinner $24.87. Invoice for delivery truck purchased from Ford Motor Co. $852.
4. Invoice for merchandise from J. T. Stanley $817, terms 2/30, n/60.
5. Voucher for payroll issued as follows: office salaries $50, truck drivers $78, sales salaries $100, sales commissions $24.12.
6. Freight bill from N. Y. C. R. R. for merchandise received from J. J. Stanley $68.14.
8. Bill for stationery and printing from Alderman Bros. $13.82. Bill for telephone and telegraph from Southern New England Telephone Co. $37.82.
9. Voucher is issued for a 90-day 6% note for $3,000 payable today at the Mechanics Bank. Bill is received for advertisement in the Times-Union $27.88.

10. Invoice for merchandise purchased from Arthur Adler $187.22.
11. Credit memo for $127.16 is received from J. T. Stanley to apply against purchase of February 4.
12. Voucher for payroll is issued as follows: office salaries $50; truck drivers $78; sales salaries $100; sales commissions $47.12.
13. Bill for insurance from C. W. Stowell $32.14. Bill for taxes from City of New Haven $178.40. Bill from J. C. Haskins for merchandise $100. Issued voucher for donation to the Community Chest $25.

(b) Summarize, rule, and post the voucher register. Indicate postings by entering assumed ledger folios. Use "T" accounts.

4. (a) Draw up a form of cash disbursements journal that would be needed for the voucher register in Problem 3 and enter the following data:

February	1.	Paid voucher #750	February	8.	Paid voucher #759
"	3.	Paid voucher #753	"	9.	Paid voucher #760
"	3.	Paid voucher #754	"	12.	Paid voucher #751
"	5.	Paid voucher #756	"	12.	Paid voucher #763
"	6.	Paid voucher #757	"	13.	Paid voucher #767

(b) Summarize the cash disbursements journal.

(c) Enter the necessary data in the payment column of the register.

(d) List all unpaid vouchers and prove their total against the general ledger control.

Instructions

Use for this assignment the multi-column analysis paper provided in your budget of supplies, or any unruled letter-sized paper.

Problem 2. Requirement (c) indicates the manner in which the totals of the items of (b) are to be handled. It is not necessary to fill in the headings of the distributive columns.

Problem 3. Read over the transactions before deciding on the account titles needed for the register. The business is apparently merchandising.

Problem 4. Give the paid vouchers consecutive check numbers and enter them in the "Check No." column.

Assignment 30

1. (*A continuation of Assignment 29, Problem 1.*)

(a) Make the formal closing entries on the general journal. In drafting these, use as a guide the statement of profit and loss and its supporting schedules and the Profits Distribution Schedule of the work sheet or balance sheet Schedule A-6. The partners have formally voted to leave all undrawn profits in the business and these are to be transferred, by journal entry, to their respective capital accounts.

(b) Post from the general journal all the adjusting and closing entries, being particularly careful as to the placing of the deferred and accrued items in the various accounts.

(c) Total and rule all proprietorship accounts, both temporary and vested.

(d) Take a post-closing trial balance of the general ledger. Record it on a separate sheet of journal paper.

2. Draw up a statement of surplus for the X Manufacturing Co. as of December 31, 19—, taking into consideration the following data:

(1) Surplus, January 1, 19—, was $176,234.29.
(2) Inventory, December 31 two years ago, was overstated by $54,367.21.
(3) Inventory, January 1 of this year, was understated by $49,278.81.
(4) A fire destroyed buildings valued at $100,000, only 75% of their value being covered by insurance. Due to a difference, however, between book value and present value the actual loss was $5,000 less than the apparent loss.
(5) A special assessment of $5,000 for improvements by the city was charged to operating expense.
(6) During the year the cashier embezzled $2,800, there being no recovery.
(7) Net profits for the year were $138,276.12.

Use the form on page 425, as a guide.

3. The surplus account of the Otis-Brenner Co., on December 31, 19—, is $450,765.87. Its capitalization consists of $1,000,000 divided into 10,000 shares of common stock of par value $50, and 5,000 shares of preferred of par value $100; 1,500 shares of the common are unissued and 1,000 shares of the preferred are in the treasury. Profits for the year are $111,218.72. The directors declare a dividend of 8% on the common stock and 6% on the preferred stock and set aside a Sinking Fund Reserve of $10,000. Based on a reappraisal, the building account was written up $10,000 during the year.

Show the net worth section of the balance sheet.

(a) With surplus shown in detail.

(b) With surplus supported by a schedule which you are asked to set up.

4. The capitalization of the Fischer Co. is $2,000,000 divided into 20,000 shares of no-par common stock and 10,000 shares of preferred of par value $100. A dividend of 25 cents a share is declared on the common and 6% on the preferred, both being paid.

Show by journal entries the declaration and payment of the dividend.

5. The following trial balance is taken from the books of the Arnold Manufacturing Company for the 6 months ending June 30, 19—. The books are kept on the accrual basis. The fiscal period is 6 months.

Cash	$ 24,000.00	
Accounts Receivable	103,212.14	
Reserve for Doubtful Accounts		$ 2,030.14
Finished Goods Inventory, January 1	40,000.00	
Goods in Process Inventory, January 1	35,000.00	
Raw Materials Inventory, January 1	45,000.00	
Investments	20,000.00	
Interest Income Accrued	1,200.00	
Factory Supplies	6,000.00	
Office Supplies	5,500.00	
Insurance Unexpired	7,800.00	
Plant and Equipment	300,000.00	
Depreciation Reserve Plant and Equipment		2,400.00
Goodwill	100,000.00	
Notes Payable		12,250.00
Accounts Payable		32,700.12
Interest Cost Accrued		1,712.89
Bonds Payable		150,000.00
Discount on Bonds	2,500.00	
Capital Stock Common		125,000.00
Capital Stock Preferred		125,000.00
Discount on Capital Stock	24,250.00	
Surplus		175,218.69
Building Fund Reserve		10,000.00
Sales		780,000.00
Sales Returns and Allowances	9,200.00	
Raw Materials Purchases	242,000.00	
Freight-In on Purchases	6,500.00	
Direct Labor	165,049.70	
Indirect Labor	75,000.00	
Salaries—Factory	12,000.00	
Light, Heat, and Power	11,000.00	
Plant Repairs and Maintenance	7,500.00	
Sundry Factory Expense	2,400.00	
Sales Salaries	91,000.00	
Advertising	18,000.00	
Sundry Selling Expense	24,000.00	
Office Salaries	25,000.00	
Sundry Office Expense	5,200.00	
Taxes	1,500.00	
Sales Discounts	4,500.00	
Interest Cost	6,500.00	
Purchase Discount		4,500.00
	$1,420,811.84	$1,420,811.84

The information needed to adjust and close the books on June 30, 19—, is as follows:

(1) Inventories: finished goods $42,000; goods in process $38,000; raw materials $51,000; factory supplies $3,000; office supplies $2,500.

(2) Doubtful accounts are estimated at ½ of 1% of net sales.

(3) Depreciation on plant and equipment is estimated at the rate of 8% per annum.

(4) Unexpired insurance is $3,400.

(5) Accrued interest income for June is $540.

(6) Accrued direct labor is $8,000, indirect labor $2,100, and bond interest cost for June is $349.50.

(7) Amortize bond discount for the 6 months $125.

(8) Prorate the following expenses departmentally:

(a) Depreciation: 75% to factory, 10% to selling, and 15% to office.

(b) Insurance: 60% to factory, 30% to selling, and 10% to office.

(c) Light, heat, and power: 75% to factory, 5% to selling, and 20% to office.

(d) Plant repairs and maintenance: 80% to factory, 12% to selling, and 8% to office.

Prepare the following:

(a) Work sheet.

(b) Condensed balance sheet with schedules.

(c) Condensed statement of profit and loss with schedules.

(d) Adjusting and closing journal entries.

Assignment 31

1. (*A continuation of Assignment 30, Problem 1.*)

(a) Because of other interests, Mr. Rupert, having signified his desire to withdraw from the partnership, is permitted by the remaining partners to do so at the close of the current year. On the basis of earnings since the date of organization of the firm, the partners agree that the goodwill of the business is conservatively estimated at $60,000.

Rupert is given $1,000 in cash and $5,000 in U. S. bonds, and is credited on the books of the business for the balance due him.

Set up and post the entries to record the above transactions as of January 2, 19—.

(b) Leary and Hayes incorporate their business under the laws of the State of New York, assuming the corporate title, Leary, Hayes & Co., Inc. The new company's capitalization consists of 2,500 shares of $100 par value common stock. Leary and Hayes subscribe to 825 and 750 shares of the stock, respectively, at par, giving in partial payment the net assets of their former business, Leary, Hayes & Rupert, and paying the balances of their subscription contracts in cash. The assets are accepted at their book values, and the liabilities are assumed by the corporation. The partnership books are to be continued for the corporation.

The remaining shares of stock are subscribed for at 104 by the following:

C. A. Landey	425 shares
Vernon S. Stein	365 shares
Allen P. Lunt	135 shares

The above stockholders pay one-half of their subscriptions in cash, the balance to be paid on January 17. By resolution of the board of directors, a call is immediately issued for payment on that date.

Make a record of the above transactions under date of January 2, 19—.

(c) Draw up a condensed balance sheet of the corporation, after giving effect to all of the transactions.

Instructions

(a) Make a complete entry in the journal of the transaction covering Rupert's withdrawal and be sure to give suitable explanation of it and also of the goodwill entry preceding it.

(b) In making the opening entry for the corporation and the accompanying explanatory statement, make whatever assumptions you desire relative to nature of business and other data usually mentioned in the opening statement.

(c) Set up the balance sheet on unruled, letter-sized paper and typewrite it, if possible. Be careful of the classification of items.

2. For the year ending June 30, 19—, the Bellows Dry Goods Co. made sales in its four departments as follows: Dept. A $176,520; Dept. B $16,409.72; Dept. C $4,097.50; and Dept. D $2,074.92. The inventories of these departments at retail on June 30, a year ago, on December 31, 6 months ago, and on June 30, 19—, were, respectively: Dept. A $12,097.20, $10,275.14, and $11,041.12; Dept. B $9,401.22, $4,762 40, and $9,009.18; Dept. C $1,890.58, $1,276.20, and $2,001.12; and Dept. D $1,640.15, $1,963.21, and $1,590.25.

Determine the rate of turnover for each department.

3. David B. Oliver's sales to June 15, 19—, were $37,654.92. On June 1, 19—, the retail price of goods on hand amounted to $16,454.50; purchases listed at the retail price amounted to $54,500; and gross profit was $12,049.57. What was the cost price of inventory on June 15, 19—?

4. The books of the Boston Co. showed sales for the 6 months' period one year ago to have been $725,564. For the next year it was estimated that the price level would be 12% lower than in the current year. Because a new director of publicity had been employed by the Boston Co., it was expected, however, that the quantity *volume* of sales for the corresponding period of the new year would be 15% larger. In order to finance the merchandise stock, what would be the average amount of capital required? Mark-on is 35% and the average rate of turnover is 3.5.

5. The bookkeeper of the Reymer Candy Co. asks you, as an accountant, to help him determine a buying quota for a 3-month period. Present inventory of the company at retail is $47,500; for the same period last year sales were $279,465, and this year's sales are expected to be 10% less in value than last year's. The company also desires to increase the rate of turnover. You decide that the stock carried should be reduced so that at the end of the period there will be on hand a stock 15% less in volume. The customary mark-on is 55%, and it is estimated that the price level will be 10% less at the end of the period.

6. The buyer for the men's clothing department of the Joseph Harne Co. gives you the following information from which you are asked to determine the open-to-buy amount:

Present salesroom stock	$ 42,500
Stock in warehouse	16,500
Sales to date	104,720
Stock ordered but not due until after end of period	5,000
Minimum stock to be on hand at end of period	32,000

The sales quota set for this department was $176,500, but the buyer believes that sales will run 10% above the quota.

7. The Murdock Tire Co. estimated that their minimum stock of tires should be 100 sets and their maximum stock 400 sets. From the following transactions determine whether the minimum and maximum stocks were being maintained.

	Sets		Sets
Balance on hand	100	Reserved for Ford Motor Co.	250
Received from Akron Rubber Co.	400	Received from Akron Rubber Co.	75
Sold to Fleet Auto Co.	45	Sold Blue Ribbon Truck Co.	20
Ordered from Akron Rubber Co.	200	Reserved for Jones Motor Co.	12
		Shipped Ford Motor Co.	100

What were the actual and available balances?

Assignment 32

1. This set contains material for students' practice work in keeping the records of a corporation engaged in trade and manufacture. It comprises a general journal, a sales journal, a sales returns and allowances journal, the cash journals, all bound together in one book; a voucher register bound separately; a note receivable and a note payable journal, bound together in one book; and a general ledger and sales ledger, also bound together in one book. Of the "Journals," pages 1–27 comprise the general journal; pages 28–33 the cash book; pages 34–35 the sales journal; and page 36 the sales returns and allowances journal. Of the "Voucher Register" blank, pages 14–20 are used for trial balances. The note journals are self-explanatory. Of the "Ledger" blank, pages 1–23 comprise the general ledger, and pages 24–28 the sales ledger. As to column headings, those on each side—but in reverse order—of the general journal are: Vouchers Payable, Accounts Receivable, and General. The sales journal has but one money column and a column for terms of sale. The sales returns and allowances journal has the same ruling as the sales journal. The four columns of the cash receipts journal will be headed as usual. In the cash disbursements journal, only three money columns will be used, being headed from extreme right to left,

Bank, Purchase Discount, and Vouchers Payable. Columns are also provided for L. F., Vo. No., and Ck. No., to the left of the money columns. In the voucher register the columns, beginning with the total column, will be headed: Vouchers Payable; Raw Materials; Freight-In; Direct Labor; Indirect Labor; Factory Superintendence; Building Repairs and Maintenance; Machinery Repairs; Light, Heat, and Power; Sundry Factory Expense; Salesmen's Salaries; Advertising; Shipping and Delivery Expense; Sundry Selling Expense; Salaries—Office; Telephone and Telegraph; Sundry Office Expense; Interest Cost; Collection Expense; and Sundry Charges. The two columns to the left of "Vouchers Payable" will be headed, Paid, with subheads, Date and How. Voucher Number and Date columns are also provided. See page 408 for the general form of set-up of column heads. The column heads for the two note journals are printed in.

The Hermex-Bottle Company, sole manufacturer of a hermetically sealed milk bottle, was organized and incorporated under the laws of the State of Connecticut. Statements are made monthly but the books are closed once a year on December 31. A trial balance taken from the general ledger on November 30, 19—, shows as follows:

1	Industrial Bank	$ 17,987.64	
1	Petty Cash	200.00	
1	Notes Receivable—Trade	8,112.13	
1	Accounts Receivable—Trade	108,254.16	
2	Reserve for Doubtful Accounts		$ 6,822.40
2	Finished Goods Inventory, January 1	50,276.84	
2	Goods in Process Inventory, January 1	45,801.30	
2	Raw Materials Inventory, January 1	31,177.40	
3	U. S. Liberty Bonds	30,000.00	
3	Factory Supplies Inventory	4,011.12	
3	Shipping Supplies Inventory	9,864.30	
3	Office Supplies Inventory	3,572.81	
4	Insurance Unexpired	8,050.70	
4	Sinking Fund	15,801.17	
4	Office Furniture and Fixtures	4,070.00	
4	Depreciation Reserve Office Furniture and Fixtures		1,290.00
5	Delivery Equipment	10,000.00	
5	Depreciation Reserve Delivery Equipment		2,112.00
5	Factory Land	60,000.00	
5	Factory Buildings and Fixtures	250,000.00	
6	Depreciation Reserve Factory Buildings and Fixtures		37,500.00
6	Machinery	60,780.00	
6	Depreciation Reserve Machinery		16,850.80
6	Tools	2,140.00	
7	Patents and Trade-Marks	50,000.00	
7	Goodwill	150,000.00	
7	Notes Payable		15,420.00
7	Vouchers Payable		36,724.12
8	Bonds Payable (5% semi-annually)		100,000.00
8	Discount on Bonds Payable	2,587.50	
8	Capital Stock Common		150,000.00

8	Capital Stock Non-Cumulative Preferred (8%)		150,000.00
9	Surplus		325,160.59
9	Sinking Fund Reserve		15,000.00
9	Dividends Payable Common		
9	Dividends Payable Non-Cumulative Preferred		
10	Cost of Raw Materials Used		
10	Manufacturing		
11	Cost of Goods Sold		
11	Profit and Loss		
12	Sales		415,687.12
12	Sales Returns and Allowances	2,277.80	
12	Raw Materials Purchases	200,473.73	
12	Raw Materials Purchase Returns and Allowances		993.84
13	Freight-In on Purchases	3,186.25	
13	Direct Labor	66,625.40	
13	Indirect Labor	9,100.58	
13	Factory Superintendence	9,150.33	
14	Building Repairs and Maintenance	3,684.12	
14	Machinery Repairs	2,213.50	
14	Light, Heat, and Power	4,198.60	
14	Sundry Factory Expense	801.50	
15	Consignment-Out Profit and Loss		502.50
15	Salesmen's Salaries	8,716.50	
15	Advertising	7,787.21	
15	Shipping and Delivery Expense	13,106.29	
16	Sundry Selling Expense	402.17	
16	Salaries—Office	8,250.60	
16	Depreciation		
16	Taxes	1,120.87	
16	Insurance Expense		
17	Telephone and Telegraph	1,117.87	
17	Sundry Office Expense	384.16	
17	Interest Cost	6,027.30	
17	Bad Debts		
18	Collection Expense	1,938.40	
18	Sales Discounts	4,463.35	
18	Interest Income		1,591.14
18	Purchase Discount		1,819.12
19	Commissions Income		584.80
19	Consignment-Out, J. B. Keeley	801.15	
19	Consignment-In, Clarence Todd	12.00	468.32
19	Profit and Loss from Sale of Investments		
20	Profit and Loss from Sale of Fixed Assets		
		$1,278,526.75	$1,278,526.75

Instructions

Open all the above accounts in your general ledger and enter under date of November 30 the balances given in the trial balance. The number in front of each account in the trial balance indicates the page on which to enter the account. Allow one-fourth of a page for each account, except Profit and Loss and Manufacturing, for each of which allow three-quarters of a page, and on page 16 allow one-fifth of a page for each account.

In the sales ledger (which is controlled by the Accounts Receivable account on the general ledger), beginning on page 24, open the following accounts four to a page, and enter the balances as of November 30:

American Milk Products Corp.	$ 10,224.50
Ambrosia Milk Co.	4,637.80
Bell Dairy Co.	1,589.20
Consolidated Dairy Products Co.	24,037.65
Continental Milk Products Co.	3,784.30
Delmoy Sales Co.	9,872.35
Eagle Dairy Co.	290.15
Model Dairy Co.	16,879.40
National Dairy Co.	3,926.80
Sagal-Lon Farm Products Co.	112.95
Sundry Customers	32,899.06
	$108,254.16

The Sundry Customers account is used to secure volume of transactions without involving too great detail. It should be treated as an individual customer's account.

In the voucher register (which is controlled by the Vouchers Payable account on the general ledger), beginning on page 2 as of the dates given, make entry of the items listed below, numbering each voucher from 819 on. Enter the amounts in Vouchers Payable column and extend into Sundry Charges column, where charge Vouchers Payable.

Oct. 28	Aberdeen Mills, Inc., 2/30, n/60	$14,149.18
Nov. 12	Bradley Mfg. Co., 2/30	3,731.14
18	Crystaline Co., Inc., 2/10, n/30	1,254.60
22	Graham Supply Co., 1/15, n/30	1,892.12
26	Macauley, Madison & Co., 2/10, n/30	12,116.32
28	Standard Box Co., 1/10, n/30	2,781.13
30	Solvay Sales Co., 2/10, n/30	799.63
		$36,724.12

Total and rule the register but do not post either debit or credit.

In the notes receivable journal, enter the following notes:

No. 57, made by Eagle Dairy Co. in our favor, for merchandise, dated October 12, 19—, for 2 months at 6%, amount $2,790.

No. 63, made by Sagal-Lon Farm Products Co. in our favor, for merchandise, dated November 18, 19—, for 1 month at 6%, amount $1,500.

No. 79, made by Bell Dairy Co. in our favor, for merchandise, dated November 22, 19—, for 3 months at 6%, amount $3,822.13.

Total the "Amount" column and rule it off as this amount is already in your general ledger "Notes Receivable" account.

In the notes payable journal, enter the following notes and handle as for notes receivable above:

No. 17, favor Industrial Bank for $10,000, dated October 15, 19—, at 2 months, discounted at 6%.

No. 21, favor of American Machinery Corp., for $5,420, dated November 10, 19—, at 3 months, with interest at 6%.

The general and subsidiary books will now show the condition of business as of November 30.

2. (a) What accounts would you open in the general or subsidiary ledger to secure a departmental analysis of sales for three departments? Explain their use.

(b) How would you arrange the journals so as to get the information necessary with a minimum of detail? Give illustration of rulings and column headings.

3. The wholesale house of Bunbury & Co. has three selling departments. The following balances are in the accounts at the end of the year:

	Dept. A	Dept. B	Dept. C
Sales	$376,490	$485,930	$247,335
Sales Returns	5,762	7,900	4,500
Purchases	250,000	300,000	176,280
Purchase Returns	3,750	5,000	3,000
Opening Inventory	90,000	155,000	105,000
Final Inventory	95,000	125,000	120,000
In-Freight	30,000		
Duty	75,000		

In-Freight and Duty are to be distributed to the departments in proportion to their respective net purchases.

Find the gross profit by departments and the percentages of gross profit to net sales.

4. A complete inventory was taken of the merchandise stock of Charles Wilson Stores Co., the summaries showing as follows:

(1) Goods in the stores ready for sale	$375,298.10
(2) Goods in warehouse bins ready for transfer to stores	692,469.14
(3) Goods in store for sale on consignment—invoiced at	1,647.25
(4) Goods sold and in store delivery rooms awaiting delivery on the morrow	5,697.40
(5) C.O.D.'s returned undelivered—delivery to be attempted again	1,182.15
(6) Goods purchased and in transit, vendor's invoice received	30,479.16
(7) Sales orders on hand awaiting filling and delivery	65,340.90
(8) Goods sold shipped f.o.b. destination and now in transit	1,672.55

Prices given above are cost prices. Items (4), (5), (7), and (8) have sales values, respectively, of: $8,475.20, $2,090.75, $118,469.15, and $2,197.45.

Make up the total of the inventory for entry on the books, giving your reason for the items, if any, which you exclude.

5. The Altameda Hosiery Co. has three selling branches. In order to keep the managers in ignorance of the profits of the branches, the goods are

billed to the branches at a price that includes a profit of 50% on cost. The branches report the following at the end of the year:

	Br. A	Br. B	Br. C
Sales	$150,000	$200,000	$175,000
Inventory, January 1, at billed price	60,000	90,000	60,000
Shipments to branches	150,000	180,000	210,000
Inventory, December 31, at billed price	57,000	60,000	45,000
Selling Expenses	17,000	22,000	18,000
Administrative Expenses	20,000	25,000	5,500

Find the cost of goods sold for all branches, and draw up a consolidated statement of profit and loss.

Assignment 33

1. (*A continuation of Assignment 32, Problem 1.*) Make record under proper dates of the following transactions. Figures at left margin signify December dates. Where needed, directions appear at the close of each assignment.

December

1. Received check from the American Milk Products Corp. for their balance of November 30, less 2% discount. Bought of Crystaline Co., Inc., at 2/10, n/30, raw materials $2,789.16. Sold Ambrosia Milk Co., 1/10, n/30, merchandise $2,587.13. Bought of Graham Supply Co., 2/30, n/60, typewriter $122.50, filing cabinet $150.00, office supplies $127.13.
2. Aberdeen Mills, Inc., made us an allowance on raw material purchases which had been damaged in transit $389.16, to apply against their invoice of October 28. Paid Franklin Surety Co. $110.70 for one-year policy on delivery equipment. Paid bill rendered by Brown & Co. for construction of a skylight on one of the factory buildings $2,275. Model Dairy Co. paid their outstanding balance, less 2% discount.
3. Received letter from the Model Dairy Co. that a case of bottles for which they had remitted was found to be in unusable condition; an investigation was immediately made and they were reimbursed by check for $68. Sold Bell Dairy Co., 1/10, n/30, merchandise $3,789.15. Sold Sagal-Lon Farm Products Co., 1/10, n/30, merchandise $2,892.16. Paid Graham Supply Co. invoice of November 22, taking advantage of their terms.
4. Sundry Customers paid $18,276.85 on account; Ambrosia Milk Co. paid balance of November 30; Continental Milk Products Co. paid balance of November 30, less 1%. Paid Aberdeen Mills, Inc., their invoice of October 28, deducting 2% discount. Drew payroll check for $3,463.01 (direct labor $1,892.16, indirect labor $246.18; salesmen's salaries $428.87, office salaries $350, shipping clerks $140.80, delivery clerks $150, factory superintendence $255).

5. Customers returns were: Ambrosia Milk Co. $17.18, to apply against invoice of December 1; Bell Dairy Co. $21.87, to apply against invoice of December 3; and Sundry Customers $19.22; investigation showed that the above returns were due to defective raw materials purchased from the Bradley Mfg. Co.; we immediately submitted our claim and received a credit memo for the total amount that we had to reimburse our customers. Received a 30-day non-interest-bearing note from Consolidated Dairy Products Co. in full payment of their balance of November 30. The note includes interest at 6% in its face. Paid N. Y. N. H. & H. R. R. Co. freight-in $178.64; T. C. Cowles for advertising $312; Robert Fischer for machine repairs $218.36; Water Co. $108; petty cash voucher $153.64 (telephone and telegraph $74.18, sundry office expense $13.24, sundry selling expense $24.22, sundry factory expense $32, donation $10).
6. Bell Dairy Co. paid balance of November 30, less 1%. National Dairy Co. paid $1,000 on account. A 10-day sight draft is drawn on Delmoy Sales Co. for $9,872.35, which they accept. Bought of Standard Box Co., 1/10, n/30, shipping supplies $279.36. Sales were: American Milk Products Corp., 1/10, n/30, merchandise $10,236.19; Consolidated Dairy Products Co., sight draft attached, merchandise $4.169.13 less 2%; Continental Milk Products Co., 1/10, merchandise $1,892.16; Sundry Customers $1,687.13. Filed claim with N. Y. N. H. & H. R. R. Co. for $128, for raw materials consigned to us and lost in transit.
8. Paid Macauley, Madison & Co. invoice of November 26; Standard Box Co. invoice of November 28, less 1%; Solvay Sales Co. invoice of November 30, less 2%. A dividend of 8% was declared on both classes of outstanding stock. Bought of Aberdeen Mills, Inc., 2/30, n/60, raw materials $5,729.13; Solvay Sales Co., 1/10, n/30, factory supplies $117.22, office supplies $26.92; Standard Box Co., 1/10, n/30, shipping supplies $236.78. Paid R. C. McKnight $188.72 for minor rearrangements of factory machinery.
9. Sales were: Ambrosia Milk Co., 1/10, n/30, merchandise $1,846.23; Bell Dairy Co., 1/10, n/30, $1,263.89; Delmoy Sales Co., 1/10, n/30, $1,864.25; Eagle Dairy Co., 1/10, n/30, $168.22; Model Dairy Co., 1/10, n/30, $2,324.89. Sundry Customers paid $1,622.84 less 2% discount. Sagal-Lon Farm Products Co. paid invoice of November 30, less 1%. Bought of Bradley Manufacturing Co., 2/10, n/30, raw materials $2,486.27, shipping supplies $74.16. Paid N. Y. N. H. & H. R. R. Co. $89.12 freight on raw materials received. Paid S. R. Ley $287.16 ($136.18 for new drain pipes on factory building and the rest for repairs to concrete floors). Word was received from referee in bankruptcy that one of our Sundry Customers

owing us $732.16 has gone into the hands of a receiver; a settlement in full on the basis of 60% of our claim was received in cash. Received notice from our bank that they had credited our account with proceeds of draft drawn on the Consolidated Dairy Products Co. Bank charges were $2.50.

Instructions

December 1. Charge all supply purchases to the corresponding Sundry Expense accounts—here and whenever purchases are made.

December 5. Be sure that you make proper analysis of the note given to us by Consolidated Dairy Products Co. Date note December 5. Charge payment made to Water Co. to Sundry Factory Expense. Charge donation to Sundry Office Expense. Hold credit memo from Bradley Mfg. Co. till December 9 for entry against purchase of that date.

December 6. Make no entry for the claim filed with the railroad.

December 8. Make entry of dividend declaration only in general journal.

2. On October 12, A ships to B on consignment, goods costing $700. A draws a 30-day draft on B for $250 which is accepted and paid at maturity. On November 15, B sends a check to A for $350 to be applied against the consignment. On November 25, B gives a 30-day 6% note for $200 to A. On December 5, B renders an account sales showing total sales of $984.16, allowances to customers $14.87, freight $18, cartage $12, and commission 5% of net sales, and remits a check for the balance.

(a) Prepare an account sales.

(b) Give the journal entries on the books of A and B to show the above transactions, when consignment sales are included with regular sales.

3. On March 12, 19—, Roswell Angier shipped merchandise costing $2,000 on consignment to Percy Walden, paying freight $53, insurance $22, and cartage $14. The goods are received on March 18 by Walden who, upon investigation, discovers that part of the shipment valued at $118 has been lost in transit. He notifies the consignor. On April 23, Walden renders an account sales as follows: total sales $2,638.12, allowances to customers $36.78, storage charges $13.80, and commission 5% of net sales. On April 24, he remits with a 30-day 6% note in full for the balance due.

(a) Prepare an account sales.

(b) Give journal entries on the books of consignor, when the books are kept on the occasional consignment basis.

4. Journalize the following transactions:

February

17. Truxton Greene, Chicago, ships on consignment to Albert Booth, New Haven, merchandise costing $5,000. Greene pays freight $212.76, insurance $45.80, and cartage $30.
24. Booth receives the merchandise, paying cartage $25 and storage $5.
25. Merchandise is sold on account to William Breckenridge $1,317.28. A cash sale is made for $112.87.

26. Merchandise is sold on account to Winslow Lovejoy $1,487.34. Breckenridge is given an allowance of $44.29. Cash sales are made for $201.17.
28. George Conklin buys goods on account for $1,687.89.

March

3. Greene draws a 30-day draft for $1,000 on Booth which the latter accepts. Bank charges are $1. Breckenridge pays his account in full deducting 2% discount.
5. A refund of $18.12 is made on goods sold to Conklin, who pays his account in full.
9. Merchandise is sold to Howard Jones, $927.63.
10. Booth renders an account sales charging 5% commission and remits a check for the balance.

(a) Render an account sales to Greene.

(b) Assume that only 85% of the consignment was sold at the time the above account sales was rendered. Draft the necessary journal entries properly to reflect the condition at the close of Greene's fiscal period.

(c) Under assumption of (b) above, give the journal entries needed to make the record on Booth's books at the close of his fiscal period.

Assignment 34

1. (*A continuation of Assignment 33, Problem 1.*) Under the dates shown, record the following transactions of the Hermex-Bottle Company.

December

10. Received check from J. B. Keeley, on account of our consignment-out #10, as follows: total sales net $1,112.13, commission 5% on net sales $55.61, cartage paid $11.50, and a 1% charge on net sales for guaranty of collection of accounts $11.12. Ambrosia Milk Co. paid our invoice of December 1, less 1% discount. Sundry Customers returned merchandise $28.19. An order was placed with the Mack Motor Co. for a new 3½-ton delivery truck to cost $5,290, f.o.b. our factory. Factory supplies costing $38.47 were used in repairing machinery. A check for $179.13 given to us by a Sundry Customer and deposited in our bank on December 9, was returned because of insufficient funds. Sold National Dairy Co., 1/10, n/30, merchandise $1,469.27. Bought of Burns Bros. Coal Co., 2/10, n/30, 25 tons coal $287.50. Received $48.70 from Rolph Swensen for sale of scrap.
11. Drew payroll check for $3,749.16 (direct labor $2,026.65, indirect labor $390.84, salesmen's salaries $428.87, office salaries $350, shipping clerks $140.80, delivery clerks $150, factory superintendence $262). Sold merchandise to Sundry Customers, 1/10, n/30, $119.18, from consignment sent to us by Clarence Todd. Rendered an account sales to Clarence Todd, as follows: total sales net $587.50,

cartage $12, commissions 5% on net sales $29.38, 1% charge for guaranteeing collection of accounts $5.88; check was enclosed for balance due. Received a check for $78 from the N. Y., N. H. & H. R. R. Co. in full settlement of our claims against them, which we accepted. Paid Bradley Manufacturing Co. invoice of November 12; Crystaline Co., Inc. invoice of December 1, less 2%; Graham Supply Co. invoice of December 1, less 2%.

12. National Dairy Co. paid $2,926.80 on account. Eagle Dairy Co. paid their note with interest. Bought of Macauley, Madison & Co., 2/15, n/30, raw materials $1,347.84, factory supplies $198.13, shipping supplies $41.19. Drew check for $138.72 to reimburse petty cash fund (sundry office expenses $17.22, telephone and telegraph $25.46, delivery expense $18.92, sundry selling expense $27.13, sundry factory expense $49.99). Paid American Machine Co. $48.90 for machinery repairs; Daily News $154 for advertising; and Anson Phelps $190 for insurance on office furniture.

13. Sales were: American Milk Products Corp., 1/10, n/30, merchandise $1,892.70; Eagle Dairy Co., 1/10, n/30, merchandise $122.40; and Sundry Customers, 1/10, n/30, merchandise $1,189.13. Received a consignment of bottle openers from Clarence Todd to be sold on a 5% commission basis; we are also to receive an additional commission of 1% on net sales for collection of accounts; the consignment was billed to us at $940. Bell Dairy Co. paid their invoice of December 3, less 1%. Sagal-Lon Farm Products Co. returned merchandise $41.68 to apply against our invoice of December 3. Received a check from our attorney, Hugh Cheatham, for $71.22 which he had collected from a Sundry Customer. The original bill was $86.22, but he deducted $15 for his services.

15. Paid our note due today at Industrial Bank. Received $19,500 from sale of Liberty bonds which originally cost $20,000. Paid N. Y., N. H. & H. R. R. Co. freight on consignment from Clarence Todd $41.22. National Dairy Co. returned merchandise $27.13 to apply against invoice of December 10. Received $15 from Charles Packer & Bros. for one day's use of our delivery truck. Delivery is made of the Mack truck ordered on the 10th, cost $5,290; payment is made by giving a check for $3,290 and one of our old trucks is accepted for the balance. (Old truck originally cost $4,000 and has been in use 2 years prior to this period. Take into account accrued depreciation on the old truck for the current year, amounting to $733.33. Depreciation rate for previous years was 20%.)

16. Delmoy Sales Co. honored our draft of December 6. Discounted our 60-day note for $15,000 at Industrial Bank, interest rate 6%. Paid dividends declared on December 8. Received $100 from Brown & Co. as an allowance for defects in skylight which they had built. Sundry Customers returned merchandise $18.16.

17. Shipped on consignment to J. B. Keeley merchandise costing us $987.53, to be sold on a 6% commission basis; prepaid freight charges amounted to $28.64. Sales were: Ambrosia Milk Co., 1/10, n/30, merchandise $1,210.37; Bell Dairy Co., 1/10, n/30, merchandise $916.42; Consolidated Dairy Products, 1/10, n/30, merchandise $3,619.27; and Continental Milk Products Co., 1/10, n/30, merchandise $896.88. Sundry Customers returned merchandise $12.18. Paid Crystaline Co., Inc. their invoice of November 18.

18. Sagal-Lon Farm Products Co. paid their note of November 18, with interest. Paid Solvay Sales Co. invoice of December 8, less 1%; Standard Box Co. invoice of December 6, less 1%. Eagle Dairy Co. paid balance of November 30, less 1%. Inasmuch as the discount period has elapsed, we credit their account in full and send them a debit memo for the amount of discount taken. Drew payroll check for $3,620.56 (direct labor $1,968.23, indirect labor $345.16, salesmen's salaries $422.17, office salaries $350, shipping clerks $135, delivery clerks $150, superintendence $250).

Instructions

December 10. Credit sales of scrap to Sundry Factory Expense.

December 11. Note that the cartage item of $12 in the Todd account sales has already been brought onto the books. Of course, it must be taken into consideration when calculating the net proceeds for remittance to Todd. Credit Raw Materials Purchases with receipt from N. Y., N. H. & H. R.R. Co.

December 15. Credit Delivery Expense with receipt from Charles Packer & Bro.

2. On April 1, 19—, the J. B. Ford Co. decides to make petty cash expenditures by the imprest method. A check is drawn for $100 to create the fund. Expenditures from the fund are as follows:

Apr.	1. Freight on purchases	$ 3.14	Apr.	12. Window cleaner	$ 3.00
	Freight on sales	6.12		14. Telephone calls	.50
	3. Telegram	1.25		15. Parcel post stamps	1.30
	4. Stationery	15.80		19. Ink	2.00
	5. Stamps	8.00		21. Pencils	3.00
	6. Advance to T. C. Fitch, salesman	10.00		24. Spring water	1.50
	9. Furniture repairs	8.00		28. Donation to Children's Home	10.00
				30. Desk pen	8.75

On April 30, receipted bills for all the above expenditures are turned over to the general cashier who issues a check to replenish the petty cash fund.

(a) Give entry on general cash book to create the fund.

(b) On a sheet of unruled paper prepare a form of petty cash book necessary to record above items.

(c) Enter the above items in the petty cash book form just prepared.

(d) Post, summarize, and rule petty cash book. Index the postings, using assumed ledger folios.

(e) Make entry on general cash book if petty cash book is kept as a memorandum and distribution is made in the general cash book.

(f) Give general journal and general cash book entries if distribution of the petty cash items is made through the general journal and petty cash book is kept only as a memorandum.

3. On March 1, Fairchild, Furness, and Buck have a bank balance of $2,000. On March 31, their bank statement shows an overdraft of $2,703.28. Outstanding checks are as follows:

Check #236	$ 115.60	Check #257	$304.80
Check #248	1,120.00	Check #268	6.48

Total checks issued during the period were $13,825.

A check for $1,000 was received and recorded in the cash book on March 31, but was not deposited until April 1.

(a) What were the total deposits for the month?

(b) Find cash book balance.

(c) Prepare reconciliation statement.

4. On September 30, 19—, the cash book of Richard Roe shows a total debit to cash amounting to $52,928.37 and a total credit to cash amounting to $43,146.36. Cash recorded in cash book but not deposited amounted to $861.87. The balance as per bank statement dated September 30, was $9,982.94. Outstanding checks were as follows:

Check #2241	$118.80	Check #2274	$300.00
Check #2256	54.30	Check #2283	103.20
Check #2273	225.00		

On September 20, the bank credited Richard Roe's account for $300 which it received in payment of a note due Roe. On September 24, a check deposited by Roe for $37.50 was protested. Bank charges were $1. These facts were not reflected on Roe's books.

(a) Prepare a bank reconciliation statement as of September 30, 19—.

(b) Journalize entries to correct Richard Roe's books.

(c) Calculate the true cash balance as of September 30, 19—.

Assignment 35

1. (*A continuation of Assignment 34, Problem 1.*) The remaining transactions for the month of December have been summarized in most instances and are given below. In making record, use the dates given, or December 31 where none are given.

Voucher Register. Bought raw materials $22,664.06; factory supplies $217.18; office supplies $174.92; shipping supplies $321.05. Purchase discount was $226.14; freight-in on purchases $189.97; payroll, direct labor $2,268.14, indirect labor $317.22, factory superintendence $482.17; building repairs and maintenance $112.37; machinery repairs $98.44; heat, light, and power $696.74; sundry factory expense $127.18; salesmen's salaries $432.23; advertising $512.40; shipping and delivery expense $234.17; sundry selling expense $27.49; office salaries $350; sundry office expense $24.12; telephone and telegraph $98.34; collection expense $286.71; insurance $150.60; street improvement tax on factory site $910.90; legal expense in the amount of $100; raw materials purchase returns $284.16.

Sales Journal. All terms 1/10, n/30. American Milk Products Corp. $1,827.60; Consolidated Dairy Products Co. $927.13; Delmoy Sales Co. $518.22; Model Dairy Co. $1,022.17; National Dairy Co. $3,044.88; Sagal-Lon Farm Products Co. $422.96; Sundry Customers $35,250.06.

Sales returns from Sundry Customers $217.18.

Cash Book. American Milk Products Corp. paid invoice of December 6; Ambrosia Milk Co. invoice of December 9, less 1%; Bell Dairy Co. invoice of December 9, less 1%; Sundry Customers $12,348.19 less $89.40. Received $97.13 from sale of scrap and $19.33 from N. Y., N. H. & H. R. R. Co. as a refund of freight paid on raw materials. Disbursed for vouchers payable $29,763.18, less purchase discount of $189.17.

Note Journal. Received a 60-day 6% note, due February 20, from American Milk Products Corp. for invoice of December 13 less discount.

General Journal. Sold Sundry Customers merchandise from consignment of Clarence Todd $234.16. Sundry Customers accounts proved uncollectible from absolute bankruptcy to the amount of $184.13. Office supplies taken from stock to the amount of $88.50 were used for advertising purposes.

The statement from the banks as of December 31 showed the following: "Items not entered on the books of the Hermex Bottle Co.: Collection charges $4.18."

Checks outstanding:

Check #870	$1,214.17	Check #881	$809.10
Check #875	39.20	Check #887	105.50
Check #876	395.86	Check #890	622.87
Check #878	423.72	Check #893	486.99

A check from a Sundry Customer for $125, deposited on December 29, was returned by the bank as uncollectible. The company had not yet been informed of this.

Balance shown by bank was $46,576.16.

Reconcile the bank statement with the cash book balance shown previous to the entry in the cash book of any items from the bank statement, and determine the true cash balance. Make necessary adjusting entries in the cash book.

Instructions

Voucher Register. For the sake of saving space, run all these transactions through on one voucher, using just one line for the entry, except in Sundry column, where use as many as needed. Omit purchase discounts. Enter sales returns and allowances in the proper journal.

Cash Book. Where discounts are taken, make record as of due date. Be sure that receipts from sale of scrap and freight refund are credited to the proper accounts.

General Journal. Credit office supplies used to Sundry Office Expense.

2. Sommers holds a 60-day non-interest-bearing note for $780 against Arthur Wilce. On February 23, 12 days after the date of the note, he discounts it at the bank. Discount rate is 7%. Journalize.

3. On February 1, 19—, William Jackson receives the following interest-bearing notes from his customers to apply against their accounts:

Maker	Face of Note	Interest Rate	Time to Run
Arthur Phillips	$346.50	6%	60 days
Samuel Price	247.10	7%	90 days
Oscar Dreisen	856.12	5%	30 days
Sigmund Ullman	547.13	7%	120 days
William Glayter	341.12	6%	60 days

On February 15, Jackson discounts all the above notes at his bank. At maturity all the notes are honored, except Arthur Phillips', which is protested at a cost of $2.50. Discount rate is 6%.

Journalize the above transactions.

4. X owes Y $1,081.32 on open account. On June 20, 19—, X draws a 30-day draft on Z for the above amount and sends it to Y in settlement of his (X's) account. Z accepts the draft on June 24. On June 30, Y discounts the draft at his bank. Discount rate is 7%. At maturity the draft is honored.

Give entries on books of drawer, drawee, and payee.

5. (a) The Rookwood Mfg. Co. invested a seasonal surplus of cash in the following securities:

(1) $10,000 par U. S. Certificates of Indebtedness, 3¼%, at 100¼.
(2) $5,000 N. Y. State bonds 4% at 103.
(3) $10,000 U. S. Liberties 3½% at par.
(4) $15,000 3-year notes, 5½%, of General Mfg. Co. at 102.

On the date of its balance sheet, these securities were quoted as follows: (1) at 100½; (2) at 104; (3) at 100½; and (4) at 100.

Draft the journal entries which you think necessary.

(b) One month later these securities are sold at the following prices: (1) at 100⅛; (2) at 104¼; (3) at 100¼; and (4) at 101.

Draft the entries, in journal form, necessary to make the proper record.

6. A $1,000 bond bearing 5¾% interest, payable semi-annually on June 30 and December 31, is purchased on April 15 at par and accrued interest.

(a) Give journal entry at time bond is purchased.

(b) Give journal entry at time first interest payment is received.

7. On June 30, 19—, X & Y purchased for long-term investment, 100 bonds of the Z. R. R. for $105,000 and 50 bonds of the W. Gas Co. for $48,000. The Z. R. R. bonds bear 4¾% interest, and the W. bonds bear 5% interest, both payable semi-annually on June 30 and December 31 and having 10 years to run.

(a) Give journal entry on the books of X & Y at the time bonds are purchased.

(b) Give journal entry at time first interest payment is received. Use straight line amortization.

(c) Give entry at maturity of the bonds.

Assignment 36

1. (*A continuation of Assignment 35, Problem 1.*) Summarize and post completely all books of original entry. Be careful, in summarizing, to show any extraneous items.

Take a trial balance of the general ledger, recording it in the first two columns on pages 14–15 of the "Voucher Register." Prove your sales ledger and record the proof in the register following the general ledger trial balance, by making a list of the accounts and their balances. Show the list total as agreeing with the controlling account.

Instructions

In setting up the trial balance, enter all accounts—whether needed for this trial balance or not—in the order in which they are carried in the general ledger. Leave bottom and top lines of each page free for totals and forwarding where necessary.

2. The Dennson Mills finds, upon analysis of its credit policies, that for the past 3 years sales orders received have averaged per year $2,500,000, of which, however, 9% have been rejected. On that basis it has held its bad debt loss to ½%. The sales manager suggests that fully 60% of the rejections might well be accepted and that the loss on bad debts would not exceed 3% of such orders. Investigation disclosed that the net profit runs 5½% of sales.

What would be the approximate effect on net profit of adopting the sales manager's suggestion?

3. A $750 order is received from A for immediate shipment. As the order comes into the credit department for acceptance, the credit records disclose the following information: (1) unpaid balance of A's account $500—not yet due but past discount period; (2) goods in shipping room

awaiting delivery to A $375; (3) sales order for $250 passed 3 days ago; and (4) credit limit $1,200.

What is A's available credit limit?

4. Credit sales for the year are $675,000. The credit terms are 1/30, n/60; outstandings at first of year are $175,000 and at its close $125,000; sales discounts taken amount for the year to $3,125; unpaid accounts receivable at beginning of month are $140,000 and of these there remain outstanding $19,500 at the end of the month; rejected orders for the year have been $75,000; and actual bad debt losses have been $3,100.

(a) Determine the rate of turnover of receivables.

(b) Determine the average number of days sales outstanding at end of the year.

(c) Compute the ratio of discounts taken to discounts offered.

(d) Figure the per cent of bad debt losses.

(e) Figure the per cent of rejections.

(f) Compute the collection percentage—i. e., the per cent of outstandings at the beginning of the month collected during the month.

5. The Amco Mfg. Co. wishes to determine the line of credit to extend to three customers whose assets and liabilities appear as follows:

	Customer A	Customer B	Customer C
Cash	$ 5,000	$ 6,000	$ 7,000
Notes Receivable	2,500	1,500	1,800
Accounts Receivable	12,000	11,500	10,000
Inventory	9,000	8,000	8,500
Total Assets	$28,500	$27,000	$27,300
Notes Payable	2,000	1,500	1,800
Accounts Payable	12,000	11,500	13,200
Total Liabilities	$14,000	$13,000	$15,000

During the year total purchases of Customer A were $1,000, Customer B $1,600, and Customer C $1,700. Of these amounts purchases from Amco were A $200, B $250, and C $425.

Determine the maximum amount to be used as a guide in fixing the limit of credit to be extended to each.

Assignment 37

1. (*A continuation of Assignment 36, Problem 1.*) Prepare a work sheet for the year ending December 31, 19—, taking into consideration the adjustments given below.

Using the work sheet as a guide, draw up a condensed balance sheet and profit and loss statement.

Support both balance sheet and profit and loss statement with properly set up schedules.

Also draw up a statement of surplus for the current year.

(1) Inventories:

Finished Goods	$55,276.50	Factory Supplies	$ 985.14
Goods in Process	42,878.41	Office Supplies	732.89
Raw Materials	25,683.90	Shipping Supplies	1,136.40

(2) Estimate of doubtful accounts: ½ of 1% of net sales.

(3) Calculate depreciation at the yearly rates given below:

Factory Buildings and Fixtures	4%	Machinery	12%
Office Furniture and Fixtures	10%	Patents	1/17
Delivery Equipment	20%	Tools Inventory	$1,587.50

In each case use the gross balance—i. e., not including depreciation reserve—of the account as the percentage basis.

(4) Accrued Income: Interest $656.29; Commission on Consignment-In 6%.

(5) Unexpired Insurance $3,480.50.

(6) Accrued Expenses:

Direct Labor	$1,612.14	Sales Salaries	$390.00
Indirect Labor	292.19	Advertising	124.70
Factory Superintendence	242.00	Shipping and Delivery Expense	246.80
Building Repairs and Maintenance	110.00	Office Salaries	310.00
Machinery Repairs	50.40	Telephone and Telegraph	40.60
Light, Heat, and Power	80.50	Bond Interest Cost	208.60
Sundry Factory Expense	42.16	Taxes	119.20

(7) Prorate the following expenses departmentally:

(a) Depreciation of factory buildings and machinery: 80% to manufacturing and 10% each to selling and general office.

(b) Light, heat, and power: 80% to factory, 8% to selling, and 12% to office.

(c) Building repairs and maintenance: 80% to factory and 10% each to selling and office.

(d) Insurance: 60% to factory, 30% to selling, 10% to office.

(8) Amortize bond discount $312.50.

(9) The sinking fund requirements of the bond indenture stipulate the payment of $5,000 annually into a sinking fund and the creation of a reserve for a like amount. Adjust the Reserve to agree with the Fund account.

(10) In the statement of profit and loss, show Profit and Loss from Sale of Fixed Assets and from Investments in the Non-Operating section.

(11) In answer to our request, J. B. Keeley submitted the following information regarding our recent consignment to him:

Sales to customers		$610.40
Expenses paid by him:		
Freight and Cartage	$67.42	
Insurance	18.74	

A formal account sales will not be rendered until completion of sales of entire consignment. The sold merchandise reported above has an original

cost value of $444.39. The consignment was on a 6% commission basis.

(12) Deferred Income: Interest $16.25.

Instructions

The student is here referred to Chapter 30 of the text as to the form of work sheet and statements, and to Chapter 28 for the method of adjusting and closing the books of a manufacturing and trading concern.

Be careful to record claim against the consignee. Charge 45% of all the consignment expenses against the income to be taken into consideration for this period. Do not forget to defer into next period the proper portion of consignment expenses as well as the inventory value of the unsold portion of consignment merchandise. The new section of the consignment account will show the value of goods still on consignment which latter will be included with the merchandise inventory on the balance sheet. In closing the books, however, inasmuch as this consignment inventory is already shown in the Consignment account, only inventories of merchandise in the company's possession will need to be set up in the regular inventory accounts.

2. The cash balance shown in the trial balance of the Habershay Co. is $8,000. Upon investigation it was found to be made up of the following: stamps $15; I.O.U.'s $75; petty cash $100; paid expense vouchers $150; undeposited checks $250; checks returned from the bank as uncollectible $600; sinking fund cash $1,000; bank cash $5,810.

Indicate how you would show the cash on the balance sheet and make such adjustment of the books as you deem desirable.

3. The following information is secured from the records of the Moody-Ferguson Company on December 31, 19—: one month's rent $500, paid in advance on December 15, 19—; a 60-day non-interest-bearing note for $1,000 discounted at bank December 11, at 6%; insurance policy for 3 years, dated July 1, 19—, $75; interest of $100 paid on a loan secured by mortgage, the proceeds of which are being used for construction of new plant building; rearrangement of machinery, just completed at cost of $250; commissions received but not yet earned $500; taxes $200, paid March 1, 19—, for preceding year.

Show how the above data would appear on the balance sheet.

4. The balance of the Leased Houses account on the books of the Stannerd Oil Co., is $15,000. Make the journal entries for the following:

(1) Paid $200 for repainting a house.
(2) Received a bill for $500 for labor and materials to cover the papering of interiors.
(3) Paid $75 to a mason for repairing the chimneys and foundations.
(4) Received a bill for $500 from the Goose Creek Electric Co. for new lighting fixtures. Old ones cost $200 and are completely depreciated.
(5) Paid $450 for labor and materials to have a porch added to one of the houses.

Determine the new balance of the Leased Houses account.

5. On December 31, 2 years ago, the end of the first year's operations of the Draper-Haskins Company, the following account balances appear: store and warehouse fixtures $10,000; office furniture and fixtures $5,000; and delivery equipment $15,000. Their depreciation policy is fixed on the basis of discard values of $1,200, $500, and $2,000 respectively, and service life periods of 10 years, 8 years, and 5 years, respectively.

On June 1, last year, a truck costing $1,200 was traded in for a new one costing $2,000, an allowance of $600 being received.

On August 1, last year, a scale was purchased for $200, allowance of $75 being received on the old one which had cost $90.

On February 1, this year, new office fixtures were installed costing $500. The old ones, costing $300, were disposed of for $50.

(a) Make the entries—in journal form—for the above transactions.

(b) Make the estimates of depreciation for the 3 years ending December 31, taking into consideration the dates of installation of the new assets.

Assignment 38

1. (*A continuation of Assignment 37, Problem 1.*) Adjust and close the books according to data given in Assignment 37. Use the single-account method for expense and income adjustments, except for supplies and insurance.

2. Draft an organization chart of a business with which you are acquainted—or, if not sufficiently familiar with any business, make a chart of a hypothetical business. As to the amount of detail, show the subdivisions no further than the main sections under each major functional department.

3. Draft an organization chart of the controller's department of Problem 2, in sufficient detail to show how it fits into the other functional departments. (If this was included in chart of Problem 2, nothing is required here.)

4. The bank has informed James Harvey Russet, Inc., that his request for an additional line of credit for the coming year could not be granted. Accordingly, an analysis of the situation is made to see if some of the credit lines he has granted his customers can be somewhat curtailed, so that he may have working capital available for expanding sales. The following data are secured:

	Total Credit Sales	Average Receivables	Sales to Customer X	Sales to Customer Y
2 years ago	$400,000	$42,500	$1,000	$2,000
1 year ago	440,000	50,000	750	2,400
Current year	600,000	63,500	1,100	2,800

He expects that credit sales for the new year will amount to $750,000 but that by a more careful selection of credit risks and a little more forceful collection policy he can provide the necessary working capital without further borrowings. His credit term is 30 days, and he feels that he need never have outstanding more than 10% of credit sales.

(a) About how much additional capital will he need?

(b) About what credit limits should he grant X and Y, assuming that no other data than those given are relevant?

5. The X Co. plans sales of $1,000,000 during the next year. The normal credit terms are net 30 days. At the end of the first month, sales amounted to $100,000, collections amounted to $50,000, and purchases to $75,000. The company started the year with an inventory of $75,000, and it is desired to keep the inventory at that figure during the year. If the gross profit on sales is 33%, calculate the difference between the estimates and the actual results.

Assignment 39

1. (*A continuation of Assignment 38, Problem 1.*) Take a post-closing trial balance of the general ledger and record it in the third and fourth columns of the Trial Balance section of "Voucher Register," pages 14–15.

2. The following data are taken from the books of the X Trading Co. for the year 19—:

	Sales at Selling Price	Purchases at Cost	Initial Inventory at Cost
January	$30,000	$23,250	$27,995
February	40,000	27,175	
March	42,500	31,250	
April	35,000	26,190	
May	27,500	27,240	
June	32,500	22,190	
July	30,000	18,375	
August	40,000	35,200	
September	42,500	33,450	
October	40,000	21,185	
November	45,000	31,275	
December	47,500	27,195	
January (Estimated)	32,500		

Gross profit on sales is 35%.

Assuming that the sales are distributed evenly over each month, and that it takes one week for a purchase to arrive after the order is mailed, conservative practice would fix the amount of the final inventory, if normal, at sufficient to cover the sales for the first two weeks of the following month. For convenience assume 4 weeks to the month.

(a) Compute initial inventories for each month beginning with February.

(b) Compute normal purchases and normal inventories for each month and list in tabular form.

(c) Using cross-section or coordinate paper, construct the following graphic charts:

(1) Actual and normal cost of purchases for each month.

(2) Actual and normal inventories.

(3) Actual cost of goods sold and sales.

3. From the data given below construct a pie chart, showing the distribution of the components of sales:

Sales	$120,000	
Cost of Sales	70,000	
Gross Profit		$50,000
Selling Expense	$ 20,000	
General Administrative Expense	10,000	
Financial Management Expense	5,000	
Total Expense		35,000
Net Profit		$15,000

4. Make a numerical classification or chart of accounts for the firm of Leary, Hayes & Rupert. Refer to pages 657–658 for the lists of account titles.

5. Under the general classification of Expense, subdivision #625, General Selling Expenses, make a classification of subsidiary accounts to cover the following sections:

(a) Research and Statistics
(b) Accounting Records and Reports
(c) Sales Orders Received
(d) Traffic
(e) Shipping
(f) Finished Stock Warehouse
(g) Administration

Under section (g) provide sub-classes to cover: (1) salaries, (2) supplies, (3) general, and (4) traveling. Under each of the other sections provide for: (1) salaries, (2) supplies, and (3) general.

Assignment 40

1. The following data are taken from the books of the Sutherland Manufacturing Corporation. The increases in capital stock during the current year were due to payment of a stock dividend. A cash dividend was paid on the common stock this year. No other charges were made against surplus this year and the only credit was for the period's net profits.

	Adjusted Trial Balance Dec. 31, Current Year		Adjusted Trial Balance Dec. 31, Last Year	
Cash	$ 25,000		$ 20,000	
Notes Receivable	8,000		10,000	
Accounts Receivable	130,000		120,000	
Reserve for Doubtful Accounts		$ 10,000		$ 7,500
Finished Goods, Jan. 1	42,000		50,000	
Goods in Process, Jan. 1	40,000		45,000	
Raw Materials, Jan. 1	35,000		30,000	
Investments	15,000		20,000	
Interest Income Accrued	1,200		800	
Insurance Unexpired	6,000		8,000	

	Adjusted Trial Balance Dec. 31, Current Year		Adjusted Trial Balance Dec. 31, Last Year	
Office Furniture and Fixtures	$5,000		$4,000	
Depr. Res. Office Furniture and Fixtures		$1,600		$1,200
Delivery Equipment	8,000		10,000	
Depr. Res. Delivery Equipment		1,600		2,000
Factory Land	60,000		60,000	
Plant and Equipment	325,000		300,000	
Depr. Res. Plant and Equipment		90,000		80,000
Patents	45,000		50,000	
Goodwill	150,000		150,000	
Notes Payable		8,000		10,000
Vouchers Payable		45,000		40,000
Interest Cost Accrued		500		600
Bonds Payable		100,000		100,000
Capital Stock Common		150,000		150,000
Capital Stock 6% Cumulative Preferred		150,000		100,000
Capital Stock 8% Non-Cumulative Preferred		54,000		50,000
Surplus		198,900		262,900
Sales		511,000		481,700
Sales Returns and Allowances	3,500		3,000	
Raw Materials Purchases	230,000		225,000	
Raw Materials Purchase Returns and Allowances		3,000		2,500
Freight-In on Raw Materials	4,500		4,000	
Direct Labor	78,000		80,000	
Indirect Labor	11,000		10,000	
Factory Superintendence	8,500		8,000	
Building Repairs and Maintenance (Factory)	3,500		4,000	
Machinery Repairs	2,500		3,000	
Heat, Light, and Power (Factory)	5,500		5,000	
Sundry Factory Expense	1,200		1,000	
Salesmen's Salaries	11,000		10,000	
Advertising	7,500		8,000	
Delivery Expense	4,500		4,000	
Sundry Selling Expense	2,500		3,000	
Salaries Office	8,500		8,000	
Depreciation (Factory)	28,100		18,300	
Taxes (Factory)	7,000		6,500	
Telephone and Telegraph	3,500		3,000	
Sundry Office Expense	2,000		1,500	
Interest Cost	4,500		4,000	
Bad Debts	2,500		2,400	
Sales Discounts	1,900		1,700	
Interest Income		2,500		2,100
Purchase Discount		800		700
	$1,326,900	$1,326,900	$1,291,200	$1,291,200

Inventories December 31, current year, were: Finished Goods $40,000; Goods in Process $45,000; Raw Materials $38,000.

Required:

(a) A comparative balance sheet with percentage analysis.

(b) A comparative profit and loss statement in condensed form, supported by comparative schedules of Cost of Goods Sold, Cost of Goods Manufactured, and of the various classes of expenses. Show percentage analyses of all of these in accordance with the method illustrated in the text.

(c) A statement of funds and their application.

(d) A statement of cash receipts and disbursements according to the method shown on pages 614–616 of the text.

(e) Compute for both years.

(1) Merchandise turnover.

(2) Working capital turnover.

(3) Capital turnover.

(4) Current ratio.

(5) Per cent of earnings on capital invested.

(6) Net sales to receivables.

(7) Earnings per share of common stock.

APPENDIX B—FIRST SEMESTER

PRACTICE WORK FOR STUDENT

For general instructions, see page 619.

Assignment 1

1. On June 30, 19—, C. T. Uhle has the following property: cash $1,765.92; merchandise $16,586.71; furniture and fixtures $1,275; delivery equipment $836; stocks and bonds owned $5,630; due from trade customers, C. H. Rings $96.50, N. A. Struby $125, J. Walls, $472.69, R. L. Carroll $147.13, A. R. Bogle $709.24, M. Fitzpatrick $63.74, and D. Self $75. He owes Electric Appliance Co. $1,250.96, Jones Motor Co. $956, Fada Radio Co. $4,692.43, for merchandise. His 60-day note for $1,000 discounted at the bank at 6% is due today. His profit for the past year is $3,987.40.

Draw up his balance sheet.

2. The asset Cash is the only item missing from the following balance sheet data of Hoit S. Drake:

Stock of Merchandise...	$4,500.00	Notes Receivable	$ 1,000.00
Building	6,450.00	Notes Payable	200.00
Delivery Equipment	975.00	Taxes due but unpaid...	54.40
Due from Customers.....	2,880.50	Mortgage on Building...	4,000.00
Due to Creditors.....	1,940.90	Hoit S. Drake, Capital..	10,595.00

Determine the amount of cash and set up his balance sheet.

3. On January 1, 19—, Ernest Barr entered the retail grocery business with an investment of $13,550 in cash. On December 31, 19—, he was using in the business the following property:

Cash	$4,300
Notes Receivable	1,200
Accounts due from customers:	
R. Frank	450
F. N. Smith	220
Thos. Brown	275
A. Downing	125
Merchandise Inventory	7,075
Furniture and Fixtures	1,500
Delivery Equipment	2,750

He was indebted to creditors as follows:

E. Welsh	$250
D. Gibbs	400
Arthur Spalding & Co.	275

The First National Bank holds his discounted promissory note for $500 due today.

From the above data prepare a balance sheet.

4. The books of Gilbert Corris, merchandiser, show the following on January 1, 19—:

Cash on hand and in bank	$2,320.65
Due to creditors for merchandise purchases:	
Acme Sales Co.	1,431.20
American Mfg. Co.	3,265.00
R. H. Marborough	890.60
Due from customers as follows:	
H. K. Jones & Co.	624.19
Howard P. Hovey	322.40
J. Edward Obey	744.25
M. T. Bracker	862.44
Alliance Realty Co.	196.50
Taft and Hixon	585.00
Desks, adding machines, fixtures, etc.	725.00
Auto truck	2,450.00

A non-interest-bearing note in amount of $1,500 is held by a creditor for merchandise purchased. Stock of goods on hand $3,158.25. Corris owns the land and building, valued respectively at $2,000 and $10,000, in which his store is situated. Corris owes his bookkeeper and salesmen $340. His profit for the year has been $4,061.88.

Draw up a statement to show Mr. Corris' capital as of the above date.

5. With the single exception of accounts receivable, the following items constitute the complete balance sheet of McFarland & Harris:

Notes Receivable	$4,200.00	Partly completed goods on hand	$1,830.40
J. D. McFarland, Capital	7,000.00	Due employees for wages	860.50
B. J. Harris, Capital	5,000.00	Machinery	2,250.00
Raw materials on hand	1,215.25	Accounts Payable	3,718.10
Cash	1,242.60	Furniture and Fixtures	438.90
Notes Payable	2,500.00	Delivery Truck	1,825.00
Finished stock on hand	2,967.66		

Using these figures, determine the amount due the business on accounts receivable and draw up a balance sheet as of December 31, 19—.

Assignment 2

1. The following shows the financial condition of Charles Boyce on December 31, 19—: He owns a building costing $7,000, on land costing $3,000, as part payment for which he gave his note for $5,000, secured by a mortgage. He has machinery and tools valued at $2,050; finished goods on hand $4,500; goods in process $10,325; models and patterns $550; shop furniture $475; typewriter, safe, office desk, filing cabinet and chairs worth $250. His bank balance is $725; cash in safe $85; amounts due from customers on open account $4,572, on accepted drafts $734. On notes he has due him $527. He owes creditors on open account $12,752.75; on payroll earned but not due $225. His profit for the year is $3,125.

Draft a balance sheet, classifying the above data according to standard titles.

2. On June 30, 6 months later, Charles Boyce's records showed, among other things, the following: Checks on hand on various banks for $271.12. On June 30, he purchased for $200 an insurance policy on his stock of finished goods. Two new filing cabinets had been bought for $75. Delivery equipment had been purchased for $1,800 and a 90-day note given in payment. Interest accrued on the note amounted to $18. His total claims against customers on open account are now $6,792, and he owes creditors on open account $13,248. Finished goods on hand amount to $3,000, goods partly manufactured $8,900, and raw materials $7,830. Cash in bank amounts to $1,500. His profits for the 6 months are $2,100.

Assuming that no changes have taken place in Boyce's assets and liabilities of Problem 1, other than those shown above, draw up a balance sheet for Boyce, using the information from both problems.

3. Due to expansion of his market, Charles Boyce finds himself in need of more capital. Accordingly on July 1, he takes in a partner, J. P. Willis, who invests cash equal to Boyce's interest in the business as shown by Problem 2. $9,000 of this new capital is used to purchase the plant of a competitor ($1,400 for the ground, $1,700 for the machinery, $250 for tools, $75 for patterns, $525 for shop furniture, and the balance for the building); $5,000 is used to pay for product on hand which was taken over ($2,000 for finished goods, and $3,000 for raw materials); and $2,000 for auto trucks.

Set up a balance sheet of the partnership, combining the above data with the balance sheet of Problem 2.

4. E. Bardell and A. Moore form a partnership and have the following assets and liabilities: a plot of ground for further building purposes costing $15,000; machinery and tools $5,000; owing to creditors $31,000; their promissory note for $5,000 in favor of the bank; due from trade customers $20,000; finished goods $10,000; partly finished goods $6,500; and raw materials $8,500. The county clerk's office has a mortgage for $5,000 recorded against the real estate. There is $3,750 cash in the bank, and undeposited checks and cash on hand amount to $2,250. Moore's capital is $12,000, and his 60% share of the past period's profits is $3,000.

Determine the amount of Bardell's capital and profits, and set up the firm's balance sheet.

5. The data below are taken from the accounting records of the Garrington Publishing Co., Inc.:

Land	$20,000	Buildings	$15,000
Capital Stock	50,000	Auto Truck, Horse and Wagon	4,500
Prepaid Expenses	1,818	Liberty Bonds	5,000
Merchandise on hand	14,224	Mortgage Payable	12,000
Notes Receivable	5,990	Due from Trade Customers	15,800
Cash	7,579	Notes Payable	6,000
Desks, Tables, etc., for Office	900	Due to Creditors	11,394
Desks, Tables, etc., for Warehouse	3,400	Acceptances Payable	875
		Surplus beginning of period	8,242

Determine the amount of the net profit for the period and set up a balance sheet.

Assignment 3

1. On December 31, 19—. the following data are taken from the records of H. A. Strommer:

Cash	$ 5,220.50	Delivery Equipment	$ 1,250.00
Notes Receivable	750.00	Deprec. Reserve Delivery Equipment	147.75
Trade Creditors	12,275.09	Notes Payable	9,000.00
Trade Customers	42,293.70	Prepaid Advertising	965.25
Reserve for Doubtful Accounts	793.12	Accrued Interest on Notes Payable	65.50
Inventory of Merchandise	10,250.19	Accrued Interest on Notes Receivable	2.20
Office Furniture and Fixtures	750.00	Freight bill due but not paid	58.75
Deprec. Res. Office Furniture and Fixtures	75.00	Strommer's Capital at beginning of year	33,000.00

Determine the amount of net profit for the year, and set up a classified balance sheet.

2. R. D. Ayars, a retailer, orders merchandise on account from Reitell & Co., wholesale dry goods merchants. Upon the request of Reitell & Co., Mr. Ayars submits the following balance sheet data as of June 30, 19—:

Cash	$ 800	Buildings	$ 5,000
Notes Receivable	100	Land	12,000
Accounts Receivable	2,900	Notes Payable	5,000
Merchandise Inventory	8,000	Accounts Payable	6,730
Furniture and Fixtures	800	Capital	15,000
Delivery Equipment	1,500	Net Profit	4,370

Ayars' order amounts to $750. Would you advise Reitell & Co. on the basis of this balance sheet to ship the merchandise?

Set up a statement which will give the facts on which you base your judgment.

3. The data below are taken from the books of Thompson, Sparrow & Rosoff for the past two years ending December 31:

	This Year	Last Year
Plant and Equipment	$130,000	$121,700
Investments	15,000	20,000
Accounts Payable	50,000	62,000
Notes Receivable	5,000	1,000
Depreciation Reserve Plant and Equipment	25,000	22,500
Reserve for Doubtful Accounts	5,000	4,500
Notes Payable—Banks	25,000	30,000
Acceptances Payable	10,000	13,000
Unexpired Insurance	1,000	2,000
Interest Income Accrued	1,000	1,300
Accounts Receivable	100,000	125,000

Inventories of Merchandise on hand	$ 51,500	$ 45,200
Unpaid Salaries Accrued	1,500	1,800
Taxes Accrued	4,000	4,200
Land	20,000	18,500
J. B. Thompson, Capital	50,000	45,000
Thompson's 40% share of net profits	8,000	5,600
Cash	10,000	8,000
Office and Other Supplies on hand	500	300
Mortgage Payable	60,000	70,000

I. M. Sparrow and L. S. Rosoff each receives 30% of the net profits. Sparrow's capital, however, is only 4/5 of Rosoff's.

(a) Determine the respective partners' capitals and shares of profits.

(b) Set up a classified balance sheet for each year.

(c) What is the firm's working capital for each year?

(d) What is the ratio of current assets to current liabilities for each year?

(e) What portion of the entire capital is in the form of working capital each year?

(f) Is the financial condition better this year than last? Give your reasons.

4. The data below have been taken from the accounting records of the J. B. McCormick Co., on June 30, 19—:

Capital Stock	$1,500,000	Cash in Third-Fifth National Bank	$ 30,000
Notes Receivable	100,000	Interest Accrued on Investments	6,500
Notes Payable	150,000	Factory Wages Accrued	3,000
Trade Customers	350,000	Taxes Accrued	8,000
Cash in First National Bank	40,000	Salaries and Commissions Accrued	2,500
Cash in safe	5,000	Depr. Res. Plant and Equipment	400,000
Accounts Payable	175,000	Bonds Payable	800,000
Prepaid Expenses	7,500	Bond Interest Accrued	16,000
Stock and Bond Investments	320,000	Net Loss for the year	68,000
Real Estate Investments	175,000	Merchandise Inventories	190,000
Plant and Equipment	2,000,000		
Reserve for Doubtful Accounts	15,000		

(a) Determine the amount of surplus and draw up a classified balance sheet.

(b) What part of total net worth is the working capital?

(c) Is the company in good condition as shown by its current ratio? Discuss briefly.

Assignment 4

1. (a) James Roberts began the year with a capital of $25,000. During the year he withdrew $10,000 and later reinvested $4,000. At the end of the year, his assets were $43,000 and his liabilities $19,000. Draw up a statement showing the amount of his profit or loss for the year.

(b) Assume that Roberts withdrew nothing and invested $8,000 during the year. All other conditions remaining as in (a), show the amount of his profit or loss for the year.

(c) Assume that Roberts made a profit of $7,000 during the year and withdrew $10,000. If his assets and liabilities were as in (a), did he make any additional investment during the year? If so, how much?

(d) Assume that Roberts suffered a loss of $5,000 during the year and made an additional investment of $9,250. If his capital at the end of the year was as in (a), did he withdraw any capital during the year? How much?

2. (a) On July 1, 19—, Robert Ray had $60,000 in assets and owed $20,000 in accounts payable. On December 31, 19—, his net worth increased 25%, and his liabilities decreased 50% of his increase in net worth.

Prepare a brief statement showing Ray's financial condition as of December 31, 19—, and discuss the various ways in which the change in his net worth might have been brought about.

(b) Benjamin Sparks had assets amounting to $200,000 and liabilities of $120,000 at the beginning of the year. At the end of the year, his assets amounted to $180,000 and his liabilities to $102,000. Prepare short balance sheets setting forth his financial condition at the beginning and end of the year. Assuming that Sparks had withdrawn $10,000 and that there was no additional capital invested during the year, explain how his financial condition was changed and account for the change that took place in his net worth.

3. On December 31, 19—, G. F. Moody's books gave the following information:

Merchandise on hand	$ 67,800	Drawings for period	$ 10,000
Sales	300,000	Mortgage on Plant	50,500
General Administrative Expense	27,000	Accrued Expenses	7,980
Selling Expense	30,480	Initial Inventory	75,000
Purchases	200,000	Cash	20,000
Proprietorship at beginning	150,000	Due from Trade Customers	130,000
Due Creditors for merchandise	55,000	Plant and Equipment	100,000
		Other Assets	20,000
		Other Liabilities	49,000

Draw up a balance sheet with the net worth section expanded to show the operations for the year.

4. R. Voit started the year with $20,000 worth of merchandise; he bought $100,000 more during the year; and his sales amounted to $135,000. His gross profit on sales was $40,000; his administrative expenses were $10,500; and his selling expenses were $14,500.

Make up a statement showing his net profit for the year.

5. Clarence Beales' initial inventory was one and one-half times his final inventory which was, in turn, one-fourth of his purchases for the year. His cost of goods sold was 60% of his sales, and selling and general administrative expenses were respectively $25,000 and $20,000. If his purchases were $320,000, determine the amount of net profit and set up a statement showing it.

Assignment 5

1. From the data below, prepare a pro forma* profit and loss statement for the Colton Trading Co. for the 6-month period ended on June 30, 19—.

Sales Returns and Allowances	$ 5,120	Interest Expense	$ 496
Purchases	224,500	Uncollectible Accounts	1,255
Inventory, June 30, 19—	91,890	Insurance	475
In-Freight and Cartage	5,250	Salesmen's Salaries	5,398
Sales	250,000	Interest Earned	250
Purchase Returns and Allowances	10,930	Advertising	2,465
Inventory, January, 19—	35,650	Depreciation of Office Furniture	275
Salaries of Officers	11,850	Cash Discounts on Sales	1,176
Traveling Expense	1,785	Taxes	465
Stationery, Printing, and Postage	987	Donations	55
Cash Discounts on Purchases	4,235	Sales Commissions	965
		Legal Expense	156
		Telephone and Telegraph	275
		Office Salaries	5,485

During the 6 months, bonds costing $8,570 were sold for $10,365.

2. The merchandise inventory of James Shean's business on October 1, 19—, was $25,560. Freight on purchases was $385, purchases for the month $41,895, freight paid on sales $156, purchase returns $1,450, and the inventory at the end of the period amounted to $28,450.

Set up a statement to determine the cost of goods sold.

3. From the following data, prepare a profit and loss statement for the month ending October 31, 19—, for the business of David Kraus: inventory on October 1, $38,655; final inventory $52,585; sales salaries $6,489; rent $3,565; office expenses $329; office supplies $287; sales $51,350; advertising $765; purchases $42,150; office salaries $2,560; sales returns and allowances $875; purchase discount $856; and allowances made by creditors $639.

4. H. Joyce bought $6,000 worth of merchandise during the month of December and sold merchandise amounting to $6,800. He returned to vendors as unsatisfactory merchandise amounting to $560, and customers returned to him merchandise worth $360. If the inventory in December 1 was $1,860 and the gross profit $1,400, what was the final inventory?

5. A company operating a mine in an outlying district maintains a general merchandise store, a theatre, and a bowling alley for the accommodation of its employees. Its accounting records show the following operating data for the 6 months of 19—: sales of coal $375,500; mining costs which

*"Pro forma" means according to good form.

included wages and mining supplies $237,800; administrative costs $92,750; sales made by the general merchandise store $21,500; cost of merchandise sold $14,500; store's operating expenses $3,750; income from bowling alley $1,875, and its expenses $1,345; theatre receipts $2,365; theatre expenses $2,789.

From the above data, prepare a profit and loss statement which will show the net profit earned by each division of the business during the 6 months, and also the combined profit and loss. (Draw two additional money columns on three-column paper. Use one column for each division and the fifth column for totals, cross adding the various lines.)

Assignment 6

1. The following account balances are taken from the books of Jas. E. Jackson on December 31, 19—:

Cash $15,000; Notes Receivable $7,500; Buildings $105,250; Land $82,250; Merchandise Inventory, December 31, $45,000; Furniture and Equipment $17,500; Bond Investments $5,000; Accounts Receivable $75,000; Notes Payable $30,000; Mortgage Payable $90,000; Accounts Payable $37,500; Jackson Capital, January 1, $165,000; Sales $300,000; Purchase Discount $5,000; Interest Earned $2,500; Cost of Goods Sold $142,500; Salaries $60,000; Supplies $22,500; Repairs $15,000; Depreciation $6,000; Printing $4,500; Sales Discount $4,500; Telephone, Postage, etc., $1,500; Interest Cost $7,500; Miscellaneous Expenses $13,500.

(a) Draw up a balance sheet with the net worth section expanded as in Form 2, page 71.

(b) Set up the above data in the form of ledger "T" accounts as shown in Form 2, page 70.

2. Set up the following transactions, debit and credit, in ledger "T" accounts:

(1)	Paid salesmen's salaries	$ 500
(2)	Paid cash for merchandise	1,500
(3)	Sold merchandise for cash	5,000
(4)	Bought on account an office safe	175
(5)	Sold goods to customers on account	10,500
(6)	Bought goods from creditors on account	7,000
(7)	Paid creditors	4,500
(8)	Received cash from customers on account	6,250

3. (a) The cash receipts for the month of July are $75,000, disbursements $60,000, and the balance on hand July 31 is $31,000. Find the cash balance on June 30 and set up the cash account for July.

(b) The cash receipts for the month of October are $39,500, the disbursements $20,000, and the cash balance on October 1 is $17,500. Set up the cash account for October and show the cash balance on October 31.

4. The G. A. Owen Supply Co. operates a plumbing supply and fixtures business. The following information is available from various records

set up the data in "T" accounts, and draw up a statement of profit and loss for the year ending June 30, 19—.

Sales	$153,378.32	Office Salaries	$ 4,500.00
Sales Returns	1,478.99	Legal Expenses	1,500.00
Salesmen's Salaries	3,000.00	Collection Expenses	50.00
Salesmen's Commissions	4,500.00	Bad Debts	700.00
Advertising	2,500.00	Interest Expense	1,200.00
Insurance	550.00	Interest Income	650.00
Delivery Expense	1,475.00	Sales Discount	2,000.00
Telephone and Telegraph	240.00	Purchase Discount	1,500.00
		Cost of Goods Sold	109,797.64

5. The stock of merchandise of the Western Distributors, Inc., was destroyed by fire on October 1. The company's records showed that there was $78,596 worth of merchandise on hand on January 1. Purchases to the date of the fire amounted to $248,648, of which $1,892 were not received. Included in the cost of purchases was $2,250 which was paid for freight.

Sales for the 9 months amounted to $293,076, of which goods amounting to $3,465 were not shipped. Statistical records for the 5 years previous to the loss showed a gross profit on sales of 51.42%.

The loss was complete except as to an amount of goods salvaged, the realizable value of which was estimated at $12,500.

Prepare a statement showing the value of the goods destroyed by fire.

Assignment 7

1. Using the debit and credit schedule shown on page 79, write out two examples of each class of transaction and show their effect in each of the three opposite classes (18 examples). See page 79 for method of statement and analysis.

2. From the buyer's viewpoint, analyze the transactions listed below, and name the debit and credit elements of each to show:

(a) The increase or decrease of assets, liabilities, and proprietorship.
(b) The individual account titles under each of the general groups.

(1) On January 1, the Baldwin Coal Co. bought $10,000 of coal and $5,000 of coke from the Lehigh Coal Co. (2) Due to a complaint the Lehigh Co. allowed the Baldwin Co. a reduction of $400 on the coal. (3) The Lehigh Coal Co. prepaid freight $500 and charged it to Baldwin. (4) Baldwin sent a check to the Lehigh Coal Co. for $5,000, and (5) later paid the balance of the account by note.

Set up the Baldwin account on the books of the Lehigh Coal Co. and also the Lehigh account on the Baldwin books.

3. Analyze the following transactions from the viewpoint of the business, and name the debit and credit elements of each to show:

(a) The increase or decrease of assets, liabilities, and proprietorship.
(b) The account titles under each of the general groups.

Balance of cash on hand.	$3,475.25	Cash sales	$ 750.00
Paid wages	250.00	Cash received from customers	2,000.00
Bought office fixtures for cash	500.00	Merchandise bought on account	5,000.00
General expenses paid...	150.00	Gave a creditor a 30-day non-interest-bearing note for	1,000.00
Postage and telegraph expenses paid	125.00	Cash paid to creditors...	2,500.00
Sold merchandise on account	3,000.00		

4. Set up appropriate accounts to record the following transactions on the books of the Western Realty Improvement Co.:

A building worth $75,000 was paid for in cash. The amount of $620 was disbursed for legal expenses in acquiring title, and $8,350 for improvements to the building. The property was occupied 2 years, during which time taxes of $400 and repairs amounting to $1,400 were paid. Depreciation was estimated at $750 per annum.

At the end of that period the building was sold for $100,000 in cash.

Assignment 8

1. R. M. Pullan started business on January 1 with a capital of $10,000 in cash. He paid $1,000 for furniture and fixtures, $400 for 2 months' rent, and bought a delivery truck for $1,800 cash. Merchandise purchases on account were $5,000. Cash sales amounted to $500 and sales on account $3,000. Clerks' salaries $160 and delivery expenses $100 were paid in cash. Customers remitted $1,500 on account. Pullan paid creditors $2,500 and withdrew $150 for personal use.

Set up "T" accounts on the ledger, debit and credit, to record the above transactions.

2. The balance sheet of S. S. Black as of June 30, 19—, is as follows:

Assets

Cash	$ 2,000	
Notes Receivable	8,500	
Accounts Receivable	23,000	
Merchandise Inventory	15,000	
Delivery Equipment	5,000	
Total Assets		$53,500

Liabilities

Notes Payable	$ 9,000	
Accounts Payable	25,000	
Total Liabilities		34,000

Net Worth

S. S. Black, Capital.....	$19,500

Transactions for the following 6 months are:

Sales on account.....	$43,000	Paid for:	
Sales returns	2,500	Advertising	$ 750
Purchases	27,000	Sales salaries	2,500
Purchase returns	1,500	Delivery expense	1,200
Cash received from:		Insurance for period....	150
Customers on account...	35,000	Telephone and telegraph	125
Notes receivable	6,500	General expense	500
Interest on notes receivable	250	Office salaries	2,500
Additional notes received from customers	4,000	Purchases on account...	24,000
Notes issued to creditors...	8,000	Notes issued	8,000
		Interest expense	300

(a) Set up the balance sheet in ledger "T" accounts and record the above transactions, debit and credit, opening such additional accounts as you think desirable.

(b) Assume that the final inventory is $13,500 and prepare a profit and loss statement for the period.

3. Prepare accounts with Delivery Expense, Delivery Supplies, Delivery Wages, and Cash. Record therein the following transactions all of which are for cash:

On November 1, paid $6.75 for gasoline and $2 for oil. On 5th, bought a new auto tire for $49. On 7th, paid $35 to driver, $25 to his assistant, and $7.50 for gas and oil. On 9th, repairs to truck cost $65. On 11th, auto insurance amounted to $25. On 15th, paid driver's salary $35 and helper's $25. On 19th, truck was wrecked and had to be repaired, the cost being $150.

4. (a) On August 1, 19—, A. B. Carnahan, a customer, owed us $135.30. On 3rd, he paid $75 on account. On 10th, he purchased goods amounting to $45.20. On 12th, he returned $10 worth of goods as unsatisfactory. On 20th, he paid $31.68 in full settlement of his purchase of the 10th, being allowed a 10% discount for prompt payment. On 25th, he purchased a bill of goods amounting to $87.50. Set up Carnahan's account as it would appear in our ledger.

(b) Set up "T" accounts and record, debit and credit, the following transactions: April 2, 19—, received A. B. Clay's note for $500. On 10th, received note from J. B. Gaynes for $250. On 12th, transferred Clay's note in settlement of our account with Jacks & Co. On 15th, received R. B. Dobbs' non-interest-bearing 60-day note for $375. On 21st, discounted at 6% Dobbs' note at the bank. On 30th, received payment of Gaynes' note.

(c) We purchased August 25, 19—, machinery for $1,500 f.o.b. factory; the freight and drayage amounted to $150; the cost of installation and attachments was $250. After using same for 6 months, one machine costing complete $225 was sold for $200. Show the above items in "T" accounts, debit and credit, assuming that all settlements are in cash.

Assignment 9

1. Set up the necessary ledger accounts on the books of George Norris to record the following transactions, debit and credit, using a Cost of Goods Sold account:

Sales on account for the month of April	$25,675
Sales returns and allowances	655
Purchases for the month, on account	19,600
Purchases returns and allowances	865
Freight on purchases paid in cash	1,650
Inventory, April 1	9,800
Inventory, April 30	10,900

2. The records of Robert Boyd showed sales on account, $55,565, for the month of March, cost of sales being $45,798. His purchases on account for the same period were $58,398, and his stock on March 1 amounted to $8,500.

Set up the necessary ledger accounts and show the merchandise inventory on March 31.

3. The merchandise account on the ledger of William Renney showed the following facts: inventory, January 1, $17,450; January purchases $8,763, on which $650 was paid for freight; returns from customers for January $235 and to creditors $896; sales for January $12,650; February purchases $9,875; freight paid on the latter $785; February sales $13,485, of which $275 was returned; returns to creditors during February $175; March purchases $10,155, of which $350 was returned; freight paid $896; sales $16,895; sales returns $465.

(a) Set up the merchandise account as it appeared on Renney's ledger.

(b) Record the above data in separate sales and purchase accounts, and show the Cost of Goods Sold account if the inventory on March 31 amounted to $18,465.

4. The merchandise transactions of Erastus Lindsay during the year 19— were: sales $81,350; sales returns and allowances $5,750; purchases $79,940; freight on purchases $7,560; returns to creditors $7,350; loss on trading $8,600; inventory on January 1, $30,500.

Set up the necessary merchandise accounts on the ledger in which you are to show the inventory at December 31, 19—.

5. A machine was purchased on April 1, 3 years ago, for $12,000. The annual depreciation of the machine was at the rate of 10% per annum. Freight paid thereon was $1,365 and cost of installation $495. Repairs cost $465 during the first year, $589 the second, and $785 the third year. Depreciation was charged off each year when the books were closed on December 31. On May 1 of the fourth year, the machine was sold for $7,500.

Set up the ledger accounts necessary to record the above transactions, debit and credit, assuming that all settlements are in cash.

Assignment 10

1. Open a cash account and enter the following transactions therein:

September

1. Cash balance $7,290.
3. James Stitt paid his account in full $312.
5. Paid Stanley Graham in full of account $376.
7. Paid freight bill $24.
10. Loaned W. Kemmerer $700 on his note.
12. Light bill paid amounted to $140.
15. Wm. Gregg paid his $60 bill with a check for $65. The difference was returned to him in currency.
17. Cash was counted and found to be $20 short.
20. Paid note due today for $400 and interest $4.
28. Check for $24 was cashed for I. M. Page.
30. Geo. Harper was paid $400 for rent of store.

Balance and rule the account.

2. Set up the account with Edward Nathan, and record the following transactions therein:

October

1. Balance due Nathan $3,289.85.
6. Purchased merchandise from him, terms 2/30, n/60, $750.89.
10. Returned merchandise to him $126.85.
15. Received an allowance for $86.54.
20. Gave him 30-day non-interest-bearing note for $2,500.
30. Paid bill of October 6, less returns of October 10 and allowances of October 15.

Where possible cross-index the debit and credit entries, as explained on page 109.

Pencil-foot the account and determine its balance. Do not formally balance the account.

3. On July 1, 19—, George Berryman began business with a cash investment of $60,000. During the year he sold $99,360 worth of merchandise on account, of which $1,480 worth was returned. He received $51,930 cash and $5,000 in notes from his customers.

He bought $63,800 in merchandise on account and returned $1,524.50 to his creditors. He paid them $35,595.50 in cash and gave them his non-interest-bearing notes for $2,700. He also bought land costing $2,500 and a building for $22,910. He paid cash for the land and $12,910 cash on the building contract, the balance remaining on mortgage.

Additional disbursements of cash were as follows:

Office Equipment	$ 800.00	Insurance	$ 75.00
Liberty Bonds	5,000.00	Delivery Trucks	5,000.00
Salesmen's Salaries	3,500.00	Supplies	600.00
Delivery Expense	569.50	Advertising	1,200.00
Legal Expense	50.00	Office Salaries	4,655.00
George Berryman, Personal	2,000.00	Light and Heat	150.00
		Taxes	245.00

Record the above transactions in ledger accounts in each of which you are to enter in the explanation column the contra debit or credit account.

Balance the cash account and take a trial balance of your ledger as of the end of the first year.

4. Because of the bookkeeper's inability to take a trial balance of his general ledger, you as a public accountant are called in. Upon careful investigation you find the following errors:

(1) Rent paid, $425, was recorded in the cash account but was not entered in the rent account.

(2) A note for $755 was received from a customer, whose account was credited. The debit portion of this transaction was omitted in the ledger.

(3) Freight for $250 was paid but entered to the wrong side of the account.

(4) Interest for $35 was properly charged to cash but recorded on the credit side both of the Interest Income and Interest Expense accounts.

(5) Salesmen's salaries shown in the cash account at $875 were entered in the Salaries account as $587.

State the amount by which one side of the bookkeeper's trial balance exceeds the other, and how you would correct the above errors.

Assignment 11

1. George Peck possesses the following bonds on June 30, 19—:

Name of Issuing Company	Face of Bonds	Interest Dates	Annual Rate
American Rod Co.	$10,500	Jan. 1 and July 1	7½%
Boston Corrugate Co.	12,000	May 1 and Nov. 1	6½%
Conuga Telegraph Co.	15,000	Feb. 1 and Aug. 1	5¼%
Till Railway Co.	7,000	Apr. 1 and Oct. 1	7%
Yellow Aero Co.	8,000	June 1 and Dec. 1	6%

Determine the amount of the accrued interest income and show the interest account properly adjusted at the close of Peck's fiscal year, June 30, 19—.

2. The Russel Magazine Co. published a monthly magazine which was sold at the annual subscription rate of five dollars.

On July 31, 19—, the day on which it closed its ledger, the following annual subscriptions were in effect:

10 beginning on February 1	50 beginning on May 1
15 beginning on March 15	75 beginning on June 16
35 beginning on April 25	80 beginning on July 10

Determine the amount of the subscription income to be deferred and show the Subscription Sales account properly adjusted.

3. Samuel S. Sloan, the proprietor of a hardware store, uses the single merchandise account. Analysis of the account for the 6 months ending June 30, 19—, shows the following: (1) merchandise inventory, January 1, 19—, $4,154.60; (2) purchases $6,174.25; (3) sales, cash $5,329.40; (4) sales, on account $1,624.37; (5) returned purchases $896; (6) returned sales and allowances $326.18; (7) inward freight and hauling $367.42; and (8) purchase rebates and allowances $435.

(a) Assuming a final inventory of $5,582, set up the account, adjust and close it, transferring the gross profit (or loss) to the proper account.

(b) Using the same data, set up separate accounts for each item. Adjust and close where necessary, using a Cost of Goods Sold and a Profit and Loss account.

4. J. J. Amsterdam's books of record on June 30, 19—, show the following facts:

Cash on Deposit	$ 1,864.20	Office Furn. and Fix.	$ 720.00
Sales	39,972.27	Advertising	850.40
Bond Investments	2,500.00	J. J. Amsterdam, Per.	1,744.13
Due from Customers	8,684.50	Salesmen's Salaries	2,965.84
Notes Payable	2,000.00	Delivery Expense	1,440.00
Purchases	28,374.29	Discount on Sales	532.90
Delivery Equipment	2,310.00	Insurance	375.20
Sales Returns and Allowances	1,282.60	Interest Income	342.26
Notes Receivable	4,300.00	Rent Paid	4,216.67
Due to Creditors	7,200.75	Interest Expense	911.86
Store Furniture and Fixtures	1,185.40	Office Salaries	1,820.00
Purchase Discount	425.45	Merchandise Inventory	9,425.20
In-Freight and Cartage	673.22	Telephone and Telegraph	194.10
Purchase Ret. and Allow.	678.80	General Expense	325.62
J. J. Amsterdam, Capital	24,000.00	Rental Income	1,200.00
		Commission Income	876.60

(a) Allowing 5 lines to each account (and a valuation account for each asset subject to depreciation), set up the above items in form of ledger "T" accounts and take a trial balance.

The following additional information is available:

Final merchandise inventory is valued at $17,428.75; unexpired insurance is $125. Due to salesmen $50, to office clerks $40, to truck drivers $30. Prepaid advertising is $65. Depreciation is to be estimated as follows: (1) 33⅓% on delivery equipment; (2) 10% on store furniture and fixtures; (3) 5% on office furniture and fixtures. It is estimated that a reserve of

1% of the net sales should be set aside for doubtful accounts receivable. Accrued interest on investments is $17.70. Accrued interest on notes payable is $41.18.

(b) Prepare a pro forma balance sheet and statement of profit and loss.

(c) Enter the above adjustments to their proper accounts, summarize the ledger completely and take a post-closing trial balance.

Assignment 12

1. Record in journal and ledger the series of transactions listed below. As a guide to the account titles to be used, you are asked to set up the following titles on the ledger in the order shown, allotting to each account the number of lines indicated by the numeral following the account title. Use double-page journal and ledger paper for this assignment.

	No. Lines		No. Lines
Cash	40	Howard N. Alling, Capital	10
Notes Receivable	5	Howard N. Alling, Personal	10
Big Elm Dairy	10	Profit and Loss	20
Variety Bakery	10	Sales	20
White Star Bakery	10	Sales Returns and Allowances	5
Brighton Dairy Co.	10	Cost of Goods Sold	10
American Brewing Co.	10	Purchases	20
O'Brien & Murphy	10	Purchase Returns and Allowances	5
J. L. Truax	10	Freight and Hauling Inward	10
Reserve for Doubtful Accounts	5	Sales Salaries	10
Merchandise Inventory	10	Delivery Expense	10
Furniture and Fixtures	10	General Expense	20
Deprec. Res. Furn. and Fix.	5	Office Salaries	10
Delivery Equipment	10	Office Supplies	10
Deprec. Res. Del. Equip.	5	Insurance	10
Notes Payable	10	Depreciation	5
Pillsbury Milling Co.	10	Rent	5
Wyandotte Grain Co.	10	Sales Discount	10
Keller & Heuman	10	Bad Debts	5
Granite Milling Co.	10	Interest Expense	5
Moseley & Motley	10	Purchase Discount	10
Callaghan & Edwards	10		

Record the transactions in the journal, debit and credit. Follow carefully the form of journal entry shown in the text.

August

1. Howard N. Alling enters the wholesale grain and flour business, investing the following assets: cash $6,000; furniture and fixtures $2,000; delivery equipment $1,500; merchandise stock $4,675.
2. Paid rent for month of August $100. Bought flour of Pillsbury Milling Co. $800, at 2/10, n/30.
4. Bought grain of Wyandotte Grain Co. Paid cash $1,235. Of this amount $35 was to pay for freight. Bought oats from Keller & Heuman, $645, terms n/30.
5. Paid advertising bill of $65. Bought office equipment, paying cash $125.

6. Sold Big Elm Dairy, hay and oats, $345 at 2/10, n/30. Paid $25 for gasoline and oil.
7. Sold flour for $640 to Variety Bakery, receiving $340 cash, balance due in 10 days. Paid salesmen $45, bookkeeper $35.
8. Paid for stationery, envelopes, and postage stamps $35. Bought flour and grain $1,450 from Granite Milling Co., giving our 30-day note at 6% interest in payment.
9. Paid $75 for coal. Sold flour for $525 at 2/10, n/30, to White Star Bakery.
11. Bought grain $860, at 2/10, n/30, from Moseley & Motley. Paid cash for typewriter $100.
12. Paid Pillsbury Milling Co.'s invoice of the 2nd, less 2%. Was allowed claim of $25 by Keller & Heuman on invoice of the 4th.
13. Alling withdrew $250 of business funds for his personal use. Bought office supplies for cash $50.
14. Paid salesmen $50; bookkeeper $35; driver $30. Sold Brighton Dairy Co. hay and oats $750, receiving 30-day note, non-interest bearing, in payment.
15. Bought flour for $890 from Callaghan & Edwards at 2/10, n/30. Sold American Brewing Co. merchandise on account $635.
16. Received check from Big Elm Dairy in payment of invoice of 6th, less 2%. Variety Bakery paid $300 in full payment of goods sold them on the 7th.
18. Sold O'Brien & Murphy, wheat and flour $840, receiving check for $440, balance due in 30 days.
19. White Star Bakery paid their invoice of the 9th, less 2%. O'Brien & Murphy returned $50 of goods as inferior in quality.
20. Sold bill of merchandise $340 to Variety Bakery, at n/30. Bought flour from Pillsbury Milling Co. for cash $1,350 less special cash discount of 3%.
21. Paid salesmen $50; bookkeeper $35; driver $30. Paid Moseley & Motley for bill of 11th, less 2%.
22. Sold J. L. Truax bill of merchandise $540, at 2/10, 1/30, n/60. Paid for gasoline and oil $20.
23. Paid telephone bill $15; billheads $10. Sold Brighton Dairy Co. at 2/10, n/30, merchandise $375.
25. Paid Callaghan & Edwards invoice of the 15th, less 2%. Bought of Wyandotte Grain Co. grain $1,645, giving our check for $345, balance on account.
26. Paid for insurance on stock for one year $75. Sold J. L. Truax hay and oats for cash $575 less special discount of 3%.
27. Gasoline and oil cost $25. Alling withdrew cash for his own needs $400.
28. Paid salesmen $50; bookkeeper $35; driver $30. Sold merchandise $825, to American Brewing Co. at 30 days' net. Bought flour $1,200 from Callaghan & Edwards at 2/10, 1/30, n/60.

29. Sold flour to White Star Bakery $460 at net 30 days.
30. Paid freight and hauling inward $60. Sold bill of goods to O'Brien & Murphy $780, receiving 30-day note, 6% interest in payment.

Post the above journal entries to their accounts in the ledger and take a trial balance, recording it on a single page journal sheet. Retain this trial balance and ledger for use in Assignment 16, Problem 5.

Assignment 13

1. Enter the following transactions in a purchase journal ruled for three departments, A, B, and C.

June

1. Bought of Youman & Erbe merchandise at 2/10, n/30, Dept. A $320.40; Dept. B $165.70; Dept. C $89.20.
2. Bought of Browne Morse Co. merchandise at 2/10, 1/30, n/60, Dept. A $472.00; Dept. C $98.45.
3. Bought of Clark & Smith merchandise for cash, Dept. B $436.70; Dept. C $92.60.
4. Bought of Hall, Walter & Co. merchandise at n/30, Dept. A $305.05; Dept. B $132.63; Dept. C $126.37.
5. Bought of Apex Office Supply Co., merchandise at 1/10, n/30, Dept. A $315.26; Dept. B $76.80.
6. Bought of Clark & Smith, merchandise for cash, Dept. A $156.25; Dept. C $85.23.
8. Bought of Franklin Moffit Co., merchandise at n/30, Dept. C $424.35.
9. Bought of Youman & Erbe merchandise at 2/10, n/30, Dept. A $250.45; Dept. C $322.70.
10. Bought of Hall, Walter & Co., merchandise at n/30, Dept. A $142.50; Dept. B $266.55; Dept. C $92.40.
11. Bought of Apex Office Supply Co., merchandise at 2/10, 1/30, n/60, Dept. B $167.20.
12. Bought of Youman & Erbe, merchandise at 2/10, n/30, Dept. A $448.90; Dept. B $145.30.
13. Bought merchandise for cash from Hall, Walter & Co. Dept. A $147.65.

Summarize the purchase journal and post it completely to "T" accounts in the ledger.

Prove the ledger by means of a trial balance.

2. Enter the following transactions of J. F. Dunmore & Co. in a sales journal.

June

1. Sold Erb & Remington, terms 2/10, n/30, merchandise for $440.20.
3. Sold E. R. Clark, terms cash, merchandise for $184.25.
4. Sold Gibbons & Sons, terms 1/10, n/30, merchandise for $344.76

5. Sold Atwater Distributing Corp., terms 3/10, 1/30, n/60, merchandise for $148.50.
7. Sold J. D. Barcham, terms cash, merchandise for $142.60.
9. Sold Gibbons & Sons, terms 1/10, n/30, merchandise for $345.80.
11. Sold Rochester Armature Co., terms n/30, merchandise for $475.
12. Sold E. R. Clark, terms cash, merchandise for $326.40.
13. Sold Erb & Remington, terms 2/10, n/30, merchandise for $355.20.
14. Sold Clerk & McCullough, terms cash, merchandise for $86.20.
15. Sold Rochester Armature Co., terms n/30, merchandise for $526.

Summarize the sales journal.

Open the required ledger "T" accounts and post the entries thereto.

Prove the accuracy of your work by means of a trial balance.

3. Enter in a sales journal and in a purchase journal those transactions of Howard N. Alling from the data of Assignment 12, Problem 1, that should appear in those journals and summarize them.

Assignment 14

1. The following transactions are to be entered in a two-column cash receipts journal and posted, where necessary, to ledger accounts:

March

1. Received from H. L. Sibly $150 to apply on account; from Rutherford and Co. $100. Received $75 rent from sublet portion of warehouse. Jerome Kendrick & Sons paid invoice of February 15, $283.90. Cash sales were $192.65.
2. G. G. Gaston remitted $157.80 to apply on invoice of February 2. F. D. Stone invested $1,500 in cash as additional capital. Cash sales were $243.76.
4. Marks & Abrams paid their $500 note with interest $10. Received from G. A. Eastman, Jr., on account $200; from Henry's Ritz Salon on account $150. Cash sales were $355.68.
5. Received from Lake & Henderson, for commission on goods sold for them, $85. M. R. Brady's non-interest-bearing note was paid today, $350. Cash was over $3.14; cash sales were $315.32.
6. Received from McGarigel Publishing Corp., on account $200; from S. L. Kramer on account $175. Cash sales were $192.50.
7. Jerome Kendrick paid invoice of February 10, $165.85. H. L. Sibly paid on account $350; G. G. Gaston $50. Cash sales were $276.88.

Summarize and post a Cash account as of March 7.

2. Enter the following transactions in a two-column cash disbursements journal and post daily to ledger accounts.

March

1. Paid Stephen, Rose & Benet invoice of February 20, $194.50. Paid electric light bill for February $41.65. Cash purchases were $165.32.
2. Paid Lindsay & Carr Co. on account $115; Newman Grain Co. on account $100. Paid salesmen's salaries $185; delivery expenses $55.40. Paid note #163 of $200 with interest $3.
4. F. D. Stone withdrew $75 for personal use. Store fixtures cost $65. Paid M. N. O'Neil on account $100; Atkins & Atkins on account $75. Cash was short $1.44.
5. Paid freight on purchases $63.28; office salaries $115. Paid Monroe & Williams $103.28 in full of account to date. Paid Alliance Trucking Co. invoice of February 23, $115.20. Cash purchases were $242.50.
6. Paid rent for period March 10 to April 10, $300. Paid Perspective Aptico Co. on account $50. Paid our non-interest-bearing note $340. Stationery and stamps cost $32.75. Cash purchases were $65.84.
7. Gasoline and oil for delivery truck cost $22.80. Paid VanDoren, Krutch & Co. $75 to apply on account. Paid garage rent $25. Paid telephone bill for February, $36.44. Cash purchases were $110.75. F. D. Stone withdrew $100 for personal use. General building repairs cost $168.40.

Summarize and post total disbursements for the week to the ledger Cash account used in Problem 1.

3. The following transactions are to be entered in a two-column cash book, cash receipts and cash disbursements bound together. Make daily postings to all ledger accounts other than cash.

March

8. Balance from previous week's transaction, $2,739.93. Paid George Sinclair Co. on account $135. Paid advertising bill $34.50. Received from G. A. Eastman, Jr., $156.25 in full payment of invoice of February 9. Cash sales were $120.50.
9. Paid salesmen's salaries $185; delivery expense $48.50; freight and hauling on merchandise purchased $39.80. Paid on account Atkins & Atkins $200; Lindsay & Carr Co. $150. Cash sales were $207.60. Cash purchases were $96.28.
11. Received from G. G. Gaston in payment of invoice of February 13, $125.40; from McGarigel Publishing Corp. on account $75. Paid for repairs to trucks $31.80; for coal $75.80. Paid our note #161 due today $350, with interest $3.50. Cash sales were $185.24.
12. F. D. Stone withdrew $100 of business funds. Paid office salaries $115. Paid Stephen, Rose & Benet on account $275; VanDoren, Krutch & Co. on account $100. Received check from A. L. Woods $142.50, in payment of our invoice of January 12. Cash sales were $147.60. Cash purchases were $248.50.
13. Paid for office typewriter $102.50. Paid Lindsay & Carr Co. on account $100; Adam Jones in full of account $143.75. Paid for gasoline and oil $22.50; repairs to elevators $47.80. Cash sales were $148.72. Cash was short $1.32.
14. Paid Monroe & Williams on account $135; Newman Grain Co. on account $286.50. Received from William L. Pater payment of note $150, with interest $9. Paid Merchants Association dues $25; insurance on stock $125. Cash sales were $174.20; cash purchases $368.89. Received commission on goods sold for Hanson & Duckman $42.

Summarize the cash book at the end of the week and post the totals to the ledger cash account used in Problems 1 and 2.

4. From the data of Assignment 12, enter in a two-column cash book all transactions of Howard N. Alling, that should appear therein and summarize it. Do not post.

5. Enter the following transactions in a four-column cash book. In the receipts journal, head the columns, General, Accounts Receivable, Sales Discount, and Net Cash. In the disbursements journal, enter the column titles, General, Accounts Payable, Purchase Discount, and Net Cash.

November

1. Cash balance was $1,840.56. Received from Rupert Bros. on account $350; Hatcher & Son on account $150; Hughes, Kimball & Clark on account $175. Paid McGuire Rolling Mills on account $115; Anthony Dickson Sales Corp. on account $200; Swalbacher Building Corp. in full of their October 1 invoice, $182.50 less 1%. Paid for office supplies $35; rent for November $150.
2. Received from Riverview Gardens, Inc., payment of our invoice of October 23, $364.50 less 2%; from Taylor, Goodwin & Taylor on account $100. Paid our note #112 amounting to $300; and interest $4.50. Paid for advertising $65; gasoline and oil $25; repairs to truck $13.50. Paid Jerome Woodlawn & Co. their invoice of October 13, $112.50 less 1%.
3. T. W. Byrnes paid his note due today $400, with interest $8. Received from Angola Fire & Rubber Co. on account $136.50; Adam Bede & Sons on account $87.50; Peter Westcott in payment our invoice of October 24, $248.90 less 2%. Paid Scovil & Andrea their invoice of October 14, $365 less 1%; Moress Trucking Corp. on account $109.50. Paid for office desks and files $135; freight on merchandise purchased $28.92; taxes on warehouse $48.50; insurance on stock of goods for one year $84.70.

4. Received from Howard & Gilmore in payment of our invoice of October 25, $242.80 less 1%; from Corris Anchorage Co. on account $112.85; from Central States Pipe Line Co. on account $182.30. Received rent for November for portion of warehouse $45. Paid Eureka Sales Corp. their invoice of October 15, $164 less 1%; Producers & Refiners Corp. on account $136.20; Seaboard Heating Co. their invoice of October 4, $169.28. Paid for calculating machine $185.

5. Received interest on Liberty bonds $21.80. Received from Hovey, Roberts & Co. on account $130; Krute & Howson on account $347.50. Paid our non-interest-bearing note #108 for $150. Paid Freed Andis Sales Co. on account $144.75; Benson & Hurst on account $125. Paid telephone bill $34.26; delivery service $45.

6. Received from Keller & Teall on account $240; from Gerson, Bush & Co. in payment of our invoice of October 17, $194.20 less 1%; from Schlimmel & Hargartner on account $55. Paid Willard & Leiter on account $148; Exide Construction Co. on account $83.25; Eveready Sales Co. in payment of their invoice of October 26, $243.70 less 2%. Paid sales salaries $250; office salaries $75; delivery expense $30. Paid gas and electric bill $44.32.

Summarize and balance the cash book. Do not post; indicate the entries to be posted by placing the letter "P" in the ledger folio column, and those not to be posted by a check mark(✓).

Assignment 15

1. The system of records used by H. Dunn consists of a four-column cash book, sales journal, purchase journal, and general journal. Analyze the following transactions of Dunn with a view to determining what transactions—or portion of transactions—are to be entered in the general journal, and make the entries where needed.

January

6. Bought of J. L. Higgins & Co., merchandise $163.50, paying cash for half the amount and giving our 30-day 6% note for the remainder. Purchased a warehouse and factory building at 52 Broad Street from Rochester Realty Corp. at a price of $48,000; fees for transfer and search of title were paid amounting to $63.80; a cash payment of $6,500 was made; two notes, each for $5,000, bearing 5½% interest, maturing one year and two years respectively from date, were given, and a bond and mortgage was executed for the balance of the purchase price.

12. Heydiviler & Co. paid their 2-month note of $500 due today, dated November 12, 19—, and bearing 6% interest.

13. Howard L. Smith expressed dissatisfaction with the last shipment of goods sent to him and demanded a cash allowance of $35, which was granted.

15. Returned goods in amount of $132.50 to Hutchinson & Co. as not measuring up to description.

17. Murchison & Sons gave to Dunn, Harper Holt's non-interest-bearing demand note of $300 and a check of $184.70 in full of their account to date.

20. The auditor called attention to an error in posting. On January 7, an item of $84.20 which should have been charged to Office Expense, was charged to Office Furniture and Fixtures.

24. Dunn withdrew for personal use, cash $100 and merchandise $34.

26. Purchased a special job lot of merchandise from Ronald, Doubleday & McGraw for $500 giving our 30-day 6% note in payment.

29. Issued a credit memo of $50 to Page & Hill on account of goods received by them in damaged condition.

30. Sold a bill of goods $1,125 to Edward Doran at n/30; accepted as partial payment his Silent Six light delivery truck valued at $750.

31. Dunn's note #128 for $500 became due at the bank today, with 6% interest for 2 months; the bank notified him that the amount had been charged against his deposit account.

2. On January 1, 19—, G. Whitaker purchased the business of the Elite Novelty Co. He took over the assets and assumed the liabilities of the firm at the following values:

Notes Receivable	$1,800	Accounts Receivable	$2,100
Merchandise	4,000	Accounts Payable	1,500
Furniture and Fixtures.....	450	Notes Payable	1,200

Interest accrued on notes receivable and notes payable amounted to $8.50 and $5.75, respectively. These were disregarded when Whitaker bought out the business, but he wishes them taken into account upon opening his set of books. He invested cash of $3,500.

Make the opening entry in the general journal.

3. On a sheet of two-column journal paper, set up the adjusting and closing entries for Assignment 11, Problem 4.

Assignment 16

1. On January 15, H. Awl received a time draft, dated January 10, for $1,500 from his customer, P. Singer, which was accepted by H. Igoe on January 12. The draft was paid on January 25.

Give the journal entries to record the drawing, acceptance, and payment of the draft on the books of the three parties.

2. M. Beal gave his 90-day promissory note, dated March 15, to C. Stark in payment of his obligation which amounted to $3,540. At the date of its maturity, Beal paid the note.

(a) Draw up the note.

(b) Give the entries necessary to record the issue, receipt, and payment of the note on the books of both parties.

3. On June 5, 19—, Southern Brighton Mills, of Atlanta, Georgia, shipped to Pearl White Laundry Supply Co., 12 Huston St., Trenton, N. J., the following:

1 gross	35 x 40 Leno weave nets	$108.00
1 gross	30 x 40 Leno weave nets	96.00
6 doz.	30 x 40 Closed mesh nets	50.00
1 gross	24 x 36 Leno weave nets	62.50
2 gross	24 x 36 Closed mesh nets	130.00
2 gross	12 x 20 Closed mesh nets	72.00
1 gross	15 x 20 Leno weave nets	32.00
6 doz.	12 x 20 Closed mesh nets	14.00
		$564.50

Terms 2/30, n/60, f.o.b. Atlanta, Ga.

(a) Draw up the sales invoice for the shipment.

(b) Using the following additional data, draw up a monthly statement of the account of the Pearl White Laundry Supply Co.

On June 1, balance due $412. On 5th, see above invoice. On 10th, merchandise purchased $141.13. On 16th, merchandise purchased $213.96. On 19th, gave 6%, 60-day note for balance on June 1. On 22nd, merchandise purchased $154.12. On 23rd, paid invoice of June 5. On 24th, returned merchandise from June 10 invoice $14. On 25th, paid invoice of June 10. On 27th, merchandise purchased $137.42. On 29th, paid invoice of June 16. On 30th, merchandise purchased $134.12.

4. The Rawley Department Store made its C.O.D. shipments by means of its own delivery system, by express, and by parcel post. A list of C.O.D. shipments for April 10 is given below.

Delivery truck shipments were: Z. Young $25.69; V. Rugg $38.96; C. Zorn $28.57.

C.O.D. Express shipments were: N. Voorhees $42.35; H. Morrill $65.48; E. Berg $75.89; M. Lander $29.72.

C.O.D. Parcel Post shipments were: P. Wood $56.49; A. Day $22.39; S. Schultz $24.96.

At the end of the day the driver turned in his receipts.

On April 13, the express company reported and remitted the following receipts: H. Morrill $65.48; E. Berg $75.89; M. Lander $29.72.

On April 14, the post office remitted the following collections: P. Wood $56.49, and A. Day $22.39, and on April 15, reported that S. Schultz refused to accept his shipment and so returned the merchandise.

Draft entries, in journal form, to record all of the above transactions. (Use a C.O.D. account which will be handled very much as a customer's account. In posting such an account, the credits should always, regardless of chronological dating, be set up opposite the corresponding debits, blanks on the credit side indicating outstanding, unreported C.O.D.'s.)

5. (*A continuation of Assignment 12, Problem 1.*) At the close of business August 31, 19—, the closing and adjusting data for Howard N. Alling are as follows:

Final merchandise inventory $8,510. Accrued interest expense $5.55. Set up a reserve for doubtful accounts equivalent to 2% of net sales. Depreciation on furniture and fixtures is estimated at 1% and on delivery equipment at 2% per month. Unexpired insurance (estimated) $70. Office supplies to be deferred $22.50. Accrued wages payable: salesman $16.67; bookkeeper $11.67; driver $10.

(a) Prepare a balance sheet as of August 31, 19—, and a statement of profit and loss for the month.

(b) On the basis of the above information, adjust and close the books, through the general journal.

Assignment 17

1. The transactions of a trading concern for the month of January 19—, were as follows:

Sales on account	$30,000	Cash paid to creditors	$5,000
Sales returns and allowances	250	Purchase discounts	190
Cash received from customers	22,000	Notes received from customers	3,000
Sales discounts	420	Salaries paid	300
Purchases on account	31,000	Proprietor's drawings of merchandise	175
Notes issued to creditors	14,000	General expenses paid	420

Journalize and prepare controlling accounts, stating the sources from which the amounts are posted.

2. For this problem use a general journal, a cash receipts journal, a cash disbursements journal, a sales journal, a sales returns and allowances journal, a purchase journal, and a purchase returns and allowances journal; also a general ledger, and two subsidiary ledgers—one for customers' accounts and the other for creditors'. Each journal should contain the necessary columns which will enable you to use controlling accounts for accounts receivable and accounts payable.

Record the following transactions of Arthur Adler in the various journals and post to the ledgers:

On March 1, 19—, Adler engaged in the wholesale grocery business. He invested $10,500 in cash and delivery equipment which cost him $1,500.

On the same day he made the following purchases of merchandise on account: Heller & Merz Co. $700; Fullman & Co. $375; Robinson Alkali Works $926.

He also bought furniture and fixtures from the Roland Equipment Co. for $5,700, giving $3,000 in cash and his three months 6% note for the balance.

During the month he made the following sales and purchases:

SALES:

Mar.			Mar.		
3.	H. Smith, 2/10, n/30	$125.60	5.	M. Rice, 2/10, n/30	$236.50
	B. Seers, 2/10, n/30	85.90		H. Dow, 2/10, n/30	169.43
	C. Ryer, 2/10, n/30	226.50	9.	W. Storch, 2/10, n/30	275.84
5.	L. Brewer, 2/10, n/30	165.75		D. Farrell, 2/10, n/30	32.48

SALES:

Mar.			Mar.		
11.	B. Seers, 2/10, n/30.....	$147.82	20.	L. Brewer, 2/10, n/30.....	$ 45.49
	C. Williams, 2/10, n/30...	265.98	23.	M. Rice, 2/10, n/30.....	156.32
15.	A. Wilmot, 2/10, n/30....	375.42	27.	H. Smith, 2/10, n/30.....	175.98
	E. White, 2/10, n/30.....	89.75	30.	D. Farrell, 2/10, n/30....	325.00

PURCHASES:

Mar.			Mar.		
5.	Paragon Canning Co., 3/10, n/30	$768.42	26.	Sale Coffee Co., 3/10, n/30	$295.43
12.	Williamson Bottling, 3/10, n/30	365.87	30.	Fowler Biscuit Co., 3/10, n/30	192.48

SALES RETURNS AND ALLOWANCES were as follows:

Mar.			Mar.		
10.	M. Rice	$54.75	31.	A. Wilmot	$58.95
16.	A. Frank	39.42		F. Welch	25.65

PURCHASES RETURNS AND ALLOWANCES were:

Mar.			Mar.		
7.	Paragon Canning Co.....	$87.93	28.	Paragon Canning Co. allowances	$25.48
10.	Williamson Bottling Co....	92.65			

The following customers paid their invoices less 2% on the dates shown:

Mar.	Mar.
12. H. Smith	19. D. Farrell
13. B. Seers	21. B. Seers
14. L. Brewer, invoice of Mar. 5	C. Williams
M. Rice, invoice of Mar. 5	25. E. White
H. Dow	30. L. Brewer, invoice of Mar. 20

C. Ryer and W. Storch paid their invoices net, the former on March 20, and the latter on March 31.

On March 10, Adler discounted his 90-day note for $5,000 at 6% per annum, at his bank and received $4,925.

On March 29, he received a 30-day 6% interest-bearing note for $375.42 from A. Wilmot to apply on his account. On the same day, M. Rice returned the invoice of March 23 and stated that he had neither ordered nor received the merchandise. Upon investigation, Adler found that it was ordered by and shipped to H. Dow.

Adler made the following disbursements during the month:

Mar.			Mar.		
1.	Rent for March	$250.00	13.	Sales Salaries	$265.00
	Stationery	175.85		Delivery Salaries	75.00
2.	Freight Inward	26.50		Office Salaries	100.00
6.	Sales Salaries	265.00	15.	Paragon Canning Co., bal. of acct. less 3%.	
	Delivery Salaries	75.00	20.	Sales Salaries	270.00
	Office Salaries	100.00		Delivery Salaries	75.00
10.	Heller & Merz Co. (less 3%)	700.00		Office Salaries	100.00
	Fullman & Co. (less 3%)	375.00	22.	Williamson Bottling Co., bal. of acct. less 3%.	
	Robinson Alkali Works (less 3%)	926.00	27.	Sales Salaries	270.00
				Delivery Salaries	75.00
				Office Salaries	100.00

Summarize the various journals and post to the ledger accounts.

Assignment 18

1. The following is the post closing trial balance of James Carroll's general ledger as of July 1, 19—:

Cash	$ 14,500	
Notes Receivable	7,500	
Accounts Receivable	43,600	
Reserve for Doubtful Accounts		$ 985
Merchandise Inventory	12,800	
Accrued Interest Income	25	
Land	10,100	
Buildings	25,000	
Depreciation Reserve Buildings		1,500
Furniture and Fixtures	3,500	
Depreciation Reserve Furn. and Fix.		760
Delivery Equipment	2,450	
Depreciation Reserve Delivery Equipment		500
Prepaid Interest Expense	65	
Notes Payable to Banks		10,000
Accounts Payable		28,750
Salesmen's Salaries Accrued		465
Rent Accrued		550
James Carroll, Capital		76,030
	$119,540	$119,540

In order to withhold information concerning his profits and financing from the bookkeeper, Mr. Carroll decides to use a private journal and ledger to which he has transferred the following accounts:

Merchandise Inventory	Buildings
James Carroll, Capital	Depreciation Reserve Buildings
Profit and Loss	Furniture and Fixtures
Salesmen's Salaries	Depreciation Reserve Furniture and Fixtures
Notes Payable to Banks	

Give the journal entries needed to transfer the accounts to the private ledger and post these entries to the ledger accounts in the general and private ledgers. Use loose-leaf standard ledger paper and set up all the accounts in both ledgers, allowing 5 lines for each account.

Instructions

Set up an account on the general ledger, called Private Ledger, which will control the private ledger. On the latter establish an account called General Ledger, which will make the private ledger self-balancing.

Make a compound entry in the general journal to close the accounts which are to be transferred to the private books. The balance of these accounts is the amount of the opening balance of the Private Ledger account. A similar entry—in reverse, however—should be made on the private journal and posted to the private ledger.

2. (*A continuation of Problem 1.*) Transactions of Carroll for the month of July were as follows:

Sales	$60,750	Purchase discounts taken	$ 714
Sales returns and allowances	5,750	Cash received from customers on account	35,750
Purchases	33,600	Sales discounts allowed	715
Purchase returns and allowances	3,500	Notes receivable paid	2,850
Salesmen's salaries paid	2,450	Interest received on notes	55
Other selling expenses paid	5,800	Rent paid	550
General administrative expenses paid	5,500	Notes payable paid	6,000
Cash paid to creditors on account	23,800	Proceeds received from discounting his 90-day note for $5,000 at 6% at his bank	4,925

Give the journal entries necessary to record the above transactions on his books, post them to his ledgers, and then take a trial balance of the general ledger and one of the private ledger. The student should note that he is to "journalize" the above transactions, using either a standard or divided column form of journal as he thinks best. Use only a general journal and a private journal—no special journals.

Instructions

Record in the private journal those transactions that affect the private ledger only. Those that affect both ledgers must be recorded in both journals.

Assignment 19

1. (*A continuation of Assignment 18, Problem 2.*) Prepare a work sheet for Carroll as of July 31, 19—, taking the following adjustments into consideration:

Inventory on July 31, 19—, $12,250. Accrued: salesmen's salaries $120; administrative salaries $100; rent $550. Prepaid interest expense $34. Accrued interest income $20. Depreciation: delivery equipment, 24% per annum; furniture and fixtures, 12% per annum; buildings, 6% per annum. Bad debts are estimated at 2% of the net sales.

Draw up a pro forma balance sheet and profit and loss statement.

Instructions

On the work sheet place the trial balance of the private ledger underneath that of the general ledger. Eliminate the Private Ledger controlling account against the General Ledger controlling account by debiting the former account and crediting the latter in the "Adjustments" column of the work sheet. Then treat both trial balances as if they were taken from one ledger.

2. The following trial balance is taken from the general ledger of Ethan L. Banks at the close of his fiscal year, December 31, 19—:

Mechanics Bank	$ 18,200	
Petty Cash on hand	100	
Notes Receivable	10,000	
Accounts Receivable	40,000	
Reserve for Doubtful Accounts		$ 1,025
Merchandise Inventory, January 1, 19—	28,000	
Furniture and Fixtures	14,000	
Depreciation Reserve Furniture and Fixtures		3,500
Delivery Equipment	4,800	
Depreciation Reserve Delivery Equipment		2,400
Buildings	40,000	
Depreciation Reserve Buildings		8,000
Land	18,000	
Notes Payable		8,000
Accounts Payable		31,000
Ethan L. Banks, Capital		115,975
Ethan L. Banks, Personal	10,000	
Sales		205,000
Sales Returns and Allowances	1,900	
Purchases	140,000	
Purchase Returns and Allowances		5,700
In-Freight and Cartage	1,500	
Sales Salaries	14,000	
Selling Expenses	17,000	
Advertising	4,300	
Delivery Expense	3,000	
Office Salaries	5,500	
General Expense	2,500	
Stationery and Printing	3,500	
Telephone and Telegraph	500	
Insurance	1,900	
Taxes	2,570	
Interest Cost	1,100	
Sales Discount	1,050	
Interest Income		1,400
Purchase Discount		1,420
	$383,420	$383,420

The following additional information necessary for adjusting and closing the books is available:

Merchandise Inventory, December 31, 19—, $24,300. Estimated depreciation rates per annum: furniture and fixtures, 8% of original cost; delivery equipment, 20% of original cost; buildings, 5% of original cost. Doubtful accounts, ½% of net sales. Interest accrued on notes receivable $100. Advertising prepaid $400; insurance unexpired $150; printing supplies on hand $250; stationery on hand $175; selling expenses prepaid $2,000; taxes accrued $120; interest on notes payable $70; telephone and telegraph accrued $40; sales salaries accrued $400; office salaries accrued $700; interest income deferred $50.

(a) Prepare a work sheet.
(b) Draw up a pro forma balance sheet.
(c) Draw up a pro forma statement of profit and loss.

Assignment 20

1. (*A continuation of Assignment 19, Problem 1.*) Using the adjustment data and the profit and loss statement of Assignment 19, adjust and close the general and private ledgers through the general and private journals.

Instructions

Make one compound entry in the general ledger to close the income and expense accounts in the general ledger. Debit or credit the Private Ledger control account on the general ledger with the difference between the income and expense items.

The corresponding entry in the private journal will be a debit to General Ledger account and a credit to Profit and Loss account for the net amount of the credit to Private Ledger account shown in the general journal. In the explanation of this closing entry, give the necessary detail comprising the various income and expense accounts which make up this net amount. In posting the closing entry, enter these detailed amounts in the Profit and Loss account on the private ledger. Then close those accounts such as Merchandise Inventory, Salesmen's Salaries, and Depreciation which are carried on the private ledger. In this way, the Profit and Loss account will show all of the details shown in the ledger.

2. (*A continuation of Assignment 19, Problem 2.*) Using the work sheet and the statement of profit and loss as a guide, set up on standard two-column journal paper the adjusting and closing entries for Banks' books.

APPENDIX B—SECOND SEMESTER

PRACTICE WORK FOR STUDENT

(For general instructions see statement on page 656.)

Assignment 21

1. This set comprises a general journal; a sales journal, a sales returns and allowances journal, a purchase journal, a purchase returns and allowances journal, and the cash journals, for convenience bound together in one book; and a general ledger, a purchase ledger, and a sales ledger, bound together in one book. Of the special journal blank, page 1 is for the sales journal, page 4 the sales returns, page 5 the purchase journal, page 8 the purchase returns, pages 10–20 the cash journals, and pages 21–24 for trial balances. Of the ledger blank, pages 1-20 comprise the general ledger, pages 25-28 the sales ledger, and pages 29-32 the purchase ledger. The general journal will be used as previously, i.e., for the record of all items not otherwise specially provided for. The sales journal provides for analysis of the sales, the first column being the total or general column; the others, Dept. A, Dept. B, and Out-Freight, respectively. The sales returns and allowances journal makes provision for the same analysis as the sales journal except that there is no Out-Freight column, that not being used; the purchase journal columns are respectively, Total, Dept. A, Dept. B, and In-Freight, with the same column headings for the purchase returns and allowances journal, except as to In-Freight. The cash book columns will be, on the debit, General, Accounts Receivable, Sales Discount, and Harding National Bank; and on the credit, General, Accounts Payable, Purchase Discount, and Harding National Bank.

The deposit account carried with the Coolidge State Bank is an inactive one. For this reason no extra column is provided for it in the cash book.

Daily posting of items affecting customers' and creditors' accounts should be made, carefully observing the terms of credit.

The general journal is provided with six money columns, three of which are to be devoted to charges and the other three to credits. The debit columns are to be headed, Accounts Payable, Accounts Receivable, and General, respectively. The credit columns will be headed similarly but in the reverse order, having the General column close to the ledger folio column. All amounts to be posted to accounts in the general ledger should be recorded in the General column, and those affecting a controlling account in its respective column. The latter amounts should be posted to the subsidiary

account immediately, but will not be posted to the controlling account until the general journal is summarized at the end of the month. Record will be made of transactions for the last month of the fiscal year, the previous 11 months being summarized in the trial balance given to start with.

McAuley, Roberts & Co. have been conducting a successful business equipment enterprise for the past 8 years. The fiscal year closes on December 31. A trial balance from the general ledger on November 30, 19—, shows as follows:

1	Harding National Bank	$ 6,521.25	
1	Coolidge State Bank	5,000.00	
1	Consignment Accounts Receivable		
1	Petty Cash	200.00	
1	Notes Receivable	8,419.80	
2	Accounts Receivable	146,838.05	
2	Reserve for Doubtful Accounts		$ 2,574.85
2	Investments	12,750.00	
2	Notes Receivable Special		
3	Dept. A, Inventory	78,769.40	
3	Dept. B, Inventory	52,918.25	
3	Delivery Equipment	13,000.00	
3	Depreciation Reserve Delivery Equipment		8,000.00
4	Store and Warehouse Furniture and Fixtures	4,500.00	
4	Depreciation Reserve Store and Warehouse Furniture and Fixtures		2,000.00
4	Office Furniture and Fixtures	1,250.00	
4	Depreciation Reserve Office Furniture and Fixtures		500.00
5	Buildings	60,000.00	
5	Depreciation Reserve Buildings		15,000.00
5	Land	10,800.00	
5	Goodwill		
6	Accounts Payable		94,969.17
6	Notes Payable		6,472.50
6	Estate of Myron R. Roberts		
6	Mortgage on Real Estate		35,000.00
7	John W. McAuley, Capital		67,000.00
7	John W. McAuley, Personal		144.80
8	Myron R. Roberts, Capital		76,000.00
8	Myron R. Roberts, Personal		273.00
9	Nels H. Knowles, Capital		100,000.00
9	Nels H. Knowles, Personal		
10	Baldwin N. Gray, Capital		
10	Baldwin N. Gray, Personal		
11	Partners' Salaries	8,625.00	
11	Profit and Loss		
12	Cost of Goods Sold		
13	Dept. A, Sales		567,819.60
13	Dept. A, Sales Returns and Allowances	10,649.30	
13	Dept. B, Sales		471,932.40
13	Dept. B, Sales Returns and Allowances	7,427.80	
14	Dept. A, Purchases	478,860.00	
14	Dept. A, Purchase Returns and Allowances		15,678.90

14	Dept. B, Purchases	$397,725.00	
14	Dept. B, Purchase Returns and Allowances		$12,796.40
15	In-Freight and Cartage	9,642.57	
15	Salesmen's Salaries and Commissions	29,942.70	
15	Salesmen's Traveling Expenses	17,897.60	
15	Advertising	22,000.00	
16	Sales General Expense	23,649.30	
16	Out-Freight	472.73	
16	Insurance	7,562.40	
16	Office Expense	2,890.78	
17	Office Supplies	3,697.40	
17	General Expense	12,897.48	
17	General Salaries	32,894.72	
17	Interest and Bank Expense	2,344.52	586.13
18	Sales Discount	15,849.50	
18	Bad Debts		
18	Depreciation		10,297.80
18	Purchase Discount		
19	Taxes	1,050.00	
19	Mortgage Interest		
19	Consignment		
19	Consignment-Out		
		$1,487,045.55	$1,487,045.55

The articles of copartnership provide, in part, as follows:

(1) Profits and losses are to be shared: McAuley 44%; Roberts 38%; and Knowles 18%.

(2) Salaries to be allowed per annum are: McAuley $5,400 and Roberts $4,200. Knowles is to receive no salary. All salaries are to be credited monthly.

(3) Interest at the rate of 6% per annum is to be allowed on sums in capital accounts, and in all cases is to be figured on the basis of 360 days to the year.

(4) Interest at the rate of 6% per annum is to be charged on drawings in excess of the salary allowed for the fiscal year from the date such drawings exceed the year's salary until the date of closing the books. The drawings of Knowles are also to be charged at 6% per annum from the date of draft to the date of closing the books.

(5) Credit balances remaining in the partners' personal accounts may be withdrawn or transferred to the capital accounts, at the partners' options.

(6) In the event of the death of a partner, the business is to be continued to the end of the fiscal year in which the death occurred, and the value of the deceased partner's estate determined by prorating the profits over the period in which the deceased had an interest. For this purpose, the period of the deceased's interest shall be figured in terms of whole months and fractions thereof, 30 days being considered a month.

(7) In the event of the death of a partner, the goodwill of the business shall be computed by averaging the net profits for the last 5 years preceding the year of death. Such average profits as are in excess of 8% on the average total of the partners' capital investments for the same 5 years shall be capitalized at 16⅔%, which amount shall represent the value of the goodwill of the business as at the date of death.

(8) It is further agreed that in the event of the death of a partner, the value of the deceased partner's estate shall bear interest at the rate of 6% per annum from date of death to date of settlement.

Roberts died November 15, 19—, but in accordance with the partnership agreement the business is continued to the close of the fiscal year, Roberts' interest in the business becoming a liability as at the date of his death.

Instructions

Open all the above accounts in your general ledger, at the places indicated, and enter under date of December 1 the balances given in the trial balance. The number in front of the account title indicates the page on which to enter the accounts. Give each one-fourth of a page, except as follows: on page 2 give Accounts Receivable two additional lines by shortening the space for Investments; on pages 7, 8, 9, and 10 enter the proprietors' accounts two to a page; and on page 11 give one-fourth of a page to Partners' Salaries and the remainder to Profit and Loss. For set-up of Notes Receivable and Payable accounts, see directions on next page.

In the sales ledger (which is controlled by the Accounts Receivable account on the general ledger), beginning on page 25, open the following accounts, four to a page, and enter the balances as of December 1:

Alexander, Hill & Co.	$ 10,187.60
Automatic Pencil Sharpener Co.	1,279.00
Browne Morse Co.	4,279.85
Clark & Smith	6,798.94
General Fireproofing Co.	
Hall, Walter & Co.	2,967.09
Franklin Moffit Co.	22,897.42
Peerless Motor Co.	
Standard Truck Co.	217.90
Second Third National Bank	650.00
Willis, Dickson, Inc.	14,679.80
Yonkers Carpet Works	
Sundry Customers	82,880.45
	$146,838.05

In the purchase ledger (which is controlled by the Accounts Payable account on the general ledger), beginning with page 29, open the following accounts, four to a page, and enter the balances as of December 1:

American Banking Machine Co.	$ 7,894.20
American Duplicator Co.	2,985.75
American Kardex Co.	6,732.84
Automatic Pencil Sharpener Co.	480.00
Apex Office Supply Co.	2,797.90
Dictation Devices Co.	5,724.75
Filing Systems & Cabinet Co.	6,894.80
Library Bureau	7,894.90
Protectograph Co.	2,147.35
Yawman & Erbe Mfg. Co.	10,897.50
Sundry Creditors	40,519.18
	$94,969.17

The two accounts, "Sundry Customers" and "Sundry Creditors," are used to secure volume of transactions without involving too great detail. They should be treated in all respects as individual customer and creditor accounts.

Itemize the balance in the Notes Receivable account as follows:

No. 84, made by Clark & Smith in our favor, for merchandise, dated September 18, 19—, for 3 months at 6%, amount $1,987.50.

No. 87, made by Hall, Walter & Co., in our favor, for goods purchased, dated October 5, at 6% for 2 months, amount $2,500.

No. 88, draft drawn by the company on Willis, Dickson, Inc., dated October 28, at 60 days, amount $2,750.

No. 91, made by Franklin Moffit Co., in our favor, for merchandise, dated November 15, at 6% for 30 days, amount $1,182.30.

Itemize the balance in the Notes Payable account as follows:

No. 31, made by the company in favor of the Yawman & Erbe Mfg. Co., dated October 15, for 2 months for $1,472.50 at 6%.

No. 32, made by the company in favor of the Harding National Bank for discount, dated October 20, at 6% for 60 days, amount $5,000.

Your books, general and subsidiary, will now show the condition as at the beginning of business December 1. This problem is continued in Assignment 22, Problem 1.

2. Robert Carter's balance sheet on June 30, 19—, is as follows:

Assets		*Liabilities and Capital*	
Cash	$ 7,500	Notes Payable	$ 8,900
Notes Receivable	3,750	Accounts Payable	36,780
Accounts Receivable	22,500	Robert Carter, Capital	39,870
Merchandise Inventory	39,800		
Furniture and Fixtures	3,500		
Delivery Equipment	8,500		
	$85,550		$85,550

George Smiley agrees to purchase a one-half interest in Carter's business provided the liability for interest on notes payable which amounts to $65 is

shown. Carter does this and also sets up the interest accrued on notes receivable, which amounts to $30. Smiley then pays for the one-half interest in cash.

Give the journal entries to record the purchase and prepare a balance sheet for the partnership.

3. Assume in the preceding problem that Smiley makes a cash investment in Carter's business equal to the latter's capital.

Give the journal entries to record the investment and prepare a balance sheet for the partnership.

4. Andrews and Burr, both of whom have been conducting businesses of their own, desire to combine and form a partnership on April 30.

Andrews' balance sheet at that date is as follows:

Assets		*Liabilities and Capital*	
Cash	$ 2,600	Notes Payable	$ 5,500
Notes Receivable	1,500	Accounts Payable	12,600
Accounts Receivable	11,900	Accrued Interest Expense	24
Merchandise Inventory	5,300	Andrews' Capital	24,386
Accrued Interest Income	10		
Furniture and Fixtures	2,500		
Land	8,500		
Building	10,200		
	$42,510		$42,510

Burr's financial position at the date of the consolidation is as follows:

Assets		*Liabilities and Capital*	
Cash	$ 3,500	Notes Payable	$ 6,500
Notes Receivable	5,675	Accounts Payable	14,200
Accounts Receivable	17,865	Accrued Interest Expense	29
Merchandise Inventory	7,589	Burr, Capital	20,500
Furniture and Fixtures	4,100		
Delivery Equipment	2,500		
	$41,229		$41,229

Both agree to adjust the values of the assets as shown by the balance sheets. The merchandise inventory values of both are to be reduced 5%. Depreciation reserves are to be set up at 10% of the values of the furniture and fixtures and at 20% of the cost of the delivery equipment. Andrews' building is to be increased to $12,000 and the land to $9,000.

(a) Assuming that the partnership uses a new set of books, give the journal entries necessary to open the books of the partnership and to adjust and close the books of Andrews and Burr.

(b) Prepare a balance sheet for the partnership as of the date of the consolidation.

(c) Assuming that Andrews' books are to be used by the partnership, give the journal entries necessary to adjust the assets of Andrews and to set up the assets and liabilities of Burr thereon.

Assignment 22

1. (*A continuation of Assignment 21, Problem 1.*) Make record in the various books of original entry of the following transactions for December, figures at left margin indicating day of month. Where needed, directions appear at the close of each assignment.

December

1. Sold Browne Morse Co., 1/10, n/30, Dept. A $1,538.40; Dept. B $408.75; on which firm prepaid freight and charged to them $58.85; freight bills are settled periodically, see December 17. Received on account from Willis, Dickson, Inc. $2,000. Paid cash on account to American Banking Machine Co. $2,000.
2. Bought of the Yawman & Erbe Mfg. Co., 2/5, n/20, Dept. A $2,989.80; Dept. B $3,347.65. Sold Clark & Smith, 2/10, n/60, Dept. A $3,276.40; Dept. B $1,562.32. Received cash on account from Alexander, Hill & Co. $3,500. Paid cash on account to Filing Systems & Cabinet Co. $2,000.
3. Sold General Fireproofing Co., 1/5, n/30, Dept. A $2,190. Received cash from Sundry Customers $5,547.80. Paid American Kardex Co. $3,500 on account.
5. Sold Hall, Walter & Co., 3/10, n/30, Dept. A $1,279.60; Dept. B $390.45. Received payment on Hall, Walter & Co. note No. 87, with interest. Browne Morse Co. paid their bill of December 1, less 1%. Paid American Duplicator Co., November balance, less 1%. Received $2,497.80 from Sundry Customers.
6. Bought of the Automatic Pencil Sharpener Co., 4/10, n/30, Dept. B $679. Bought from Apex Office Supply Co., 1/10, n/30, Dept. A $1,497.80; Dept. B $896.45. Sold Peerless Motor Co., 1/10, n/60, Dept. A $2,679.40; Dept. B $1,243.70; with prepaid freight charged them $22.90. Received $2,500 on account from Willis, Dickson, Inc. Gave our 30-day note No. 33, at 6%, in favor of Library Bureau, to apply on account $3,000. Paid Sundry Creditors $8,191.75.
7. Sold Second Third National Bank, 1/5, n/60, Dept. B $425. Paid Yawman & Erbe bill of December 2, less 2%. Received from Sundry Customers $2,976.80 on account. Sold Browne Morse Co., 1/10, n/30, Dept. A $1,215.60; Dept. B $671.15. Clark & Smith returned goods, invoice of December 2, Dept. A $127.50; Dept. B $16.18. General Fireproofing Co. paid their invoice of December 3, less 1%. Second Third National Bank paid their November balance, less 1%.

Instructions

December 5. Record the interest received from Notes Receivable in the Interest and Bank Expense account.

2. The following is the balance sheet of Clover & Harrison on January 1, 19—:

Assets			*Liabilities and Capital*	
Cash		$ 8,880	Accounts Payable	$10,500
Accounts Receivable		11,285	Clover, Capital	15,700
Merchandise Inventory		8,750	Harrison, Capital	15,700
Furn. and Fix.	$8,500			
Less: Depr. Res.	865	7,635		
Del. Equip.	6,000			
Less: Depr. Res.	650	5,350		
		$41,900		$41,900

Gerard makes a $10,000 investment in the partnership to obtain a one-fifth interest.

Give the journal entries necessary to record on the books of the partnership the admission of the new partner.

3. The following is the balance sheet of Miller & Patterson at December 31, 19—:

Assets		*Liabilities and Capital*	
Cash	$ 800	Notes Payable	$ 4,000
Notes Receivable	3,000	Accounts Payable	7,800
Accounts Receivable	7,000	Mortgage Payable	2,500
Merchandise Inventory	11,000	Prepaid Income	100
Unexpired Insurance	200	Miller, Capital	12,000
Accrued Income	200	Patterson, Capital	6,000
Delivery Equipment	1,000		
Furniture and Fixtures	2,200		
Building	5,000		
Goodwill	2,000		
	$32,400		$32,400

Due to the need of additional cash, the partners interest Griffin in the business. The latter agrees to invest such sum as will give him a one-fourth interest in the net worth and profits or losses of the business provided the following adjustments are made: goodwill is to be written off; delivery equipment and merchandise are to be depreciated $200 and $1,500 respectively.

(a) Give the journal entries necessary to record the adjustments of the asset values and the admission of Griffin as a partner.

(b) Give the balance sheet for the new firm.

4. The post-closing trial balance of the ledger of Harrison & Fisher on July 1, 19—, is as follows:

Cash	$ 7,500	
Notes Receivable	10,200	
Accounts Receivable	25,400	
Reserve for Doubtful Accounts		$ 895
Merchandise Inventory	12,500	
Land	6,500	
Building	15,400	
Depreciation Reserve Building		325
Furniture and Fixtures	3,560	
Depreciation Reserve Furniture and Fixtures		789
Delivery Equipment	5,265	
Depreciation Reserve Delivery Equipment		539
Prepaid Expenses	275	
Accrued Income	289	
Notes Payable		10,600
Accounts Payable		22,660
Accrued Expenses		855
Harrison, Capital		25,113
Fisher, Capital		25,113
	$86,889	$86,889

They agree to consolidate with their competitors, Rogers & Ryan, another partnership, the post-closing trial balance of whose ledger is as follows:

Cash	$10,500	
Accounts Receivable	37,650	
Reserve for Doubtful Accounts		$ 758
Merchandise Inventory	25,900	
Furniture and Fixtures	4,800	
Depreciation Reserve Furniture and Fixtures		975
Delivery Equipment	7,595	
Depreciation Reserve Delivery Equipment		865
Prepaid Expenses	879	
Notes Payable		8,600
Accounts Payable		18,400
Accrued Expenses		486
Rogers, Capital		28,620
Ryan, Capital		28,620
	$87,324	$87,324

All the partners agree that the net worth of the new firm is to be $120,000 including a goodwill of $10,000 which is to be allocated to the two partnerships in proportion to their respective capitals. Each partner is to invest such a sum as will give him a one-fourth interest in the capital and profits or losses of the new firm. In payment of his investment, each will assign his interest in the business of which he is at present a member and contribute cash equal to any deficiency between the invested sum and the value of his quarter interest.

(a) Give the journal entries necessary to open the books of the new partnership.

(b) Give the journal entries necessary to close the books of Harrison & Fisher.

(c) Prepare a balance sheet of the new firm after its establishment.

Assignment 23

1. (*A continuation of Assignment 22, Problem 1.*) Make record in the various books of original entry of the following transactions for December, figures at left margin indicating day of month.

December

9. Bought of Dictation Devices Co., 1/10, n/30, Dept. A $3,784.90; Dept. B $1,781.19. Paid cash for insurance $275. In making a deposit at the bank, a $20 note was found to be counterfeit.

10. A note receivable for $2,500 was received from Nels H. Knowles, due in 6 months at 6% in return for a loan made to him by the firm. Sold Automatic Pencil Sharpener Co., 1/5, n/30, Dept. B $896.40. Received cash on account from Franklin Moffit Co. $7,500. Browne Morse Co. paid $2,000 on account. Paid Apex Office Supply Co. $2,500 on account.

12. Bought of the Protectograph Co., n/60, Dept. B $2,976.80. Sold Alexander Hill & Co., 2/5, n/30, Dept. A $1,569.70; Dept. B $972.80. Hall, Walter & Co. returned goods, invoice of December 5, Dept. A $92.78; Dept. B $121.47. Received balance from Clark & Smith, invoice of December 2, less 2%. Paid Yawman & Erbe Mfg. Co. $5,000 on account; Dictation Devices Co. $2,500. The Second Third National Bank paid their invoice of December 7, less 1%.

13. John W. McAuley withdrew for his home use, Dept. A $125.80; Dept. B $48.90. Sold Browne Morse, 1/10, n/30, Dept. A $894.65; Dept. B $1,292.45. Returned to Automatic Pencil Sharpener Co., Dept. B $207 of the invoice of December 6. Paid $890 for changing the partitions in the warehouse. Took from stock a new sofa, Dept. A $275 for use in salesrooms.

14. Purchased from American Banking Machine Co., 3/10, n/30, Dept. A $1,472.85; Dept. B $4,561.40. Sold Standard Truck Co., 1/10, n/30, Dept. A $684.90; Dept. B $516.75; with prepaid freight charged them $62.81. Received $2,500 on account from Franklin Moffit Co. Paid Protectograph Co. $2,000 on account.

Instructions

December 10. Be sure to enter the note received from the partner to the correct account.

December 13. For stock withdrawn for use of business, make entry in the general journal.

2. The following is the trial balance of the ledger of Peters, Harris & Gardner as of December 31, 19—:

Cash	$ 7,586.55	
Notes Receivable	6,985.50	
Accounts Receivable	32,565.90	
Reserve for Doubtful Accounts		$ 246.25
Merchandise Inventory, January 1, 19—	25,459.85	
Furniture and Fixtures	7,560.59	
Depreciation Reserve Furniture and Fixtures		1,512.10
Delivery Equipment	2,568.00	
Depreciation Reserve Delivery Equipment		513.60
Notes Payable		3,589.00
Accounts Payable		16,495.80
Peters, Capital		25,450.00
Peters, Drawing	9,000.00	
Harris, Capital		30,500.00
Harris, Drawing	8,000.00	
Gardner, Capital		18,772.00
Gardner, Drawing	6,000.00	
Sales		213,456.80
Sales Returns and Allowances	5,250.77	
Purchases	144,020.07	
Purchase Returns and Allowances		2,875.49
Freight Inward	2,875.46	
Sales Salaries	15,206.84	
Advertising	2,325.89	
Sales Commissions	4,085.60	
Delivery Expenses	1,790.85	
Office Salaries	7,549.50	
Office Expenses	1,840.53	
Stationery and Printing	1,265.40	
Telephone and Telegraph	565.80	
Rent	4,950.00	
Insurance	485.25	
Sales Discounts	3,512.80	
Interest Expense	865.46	
Interest Income		126.11
Purchase Discounts		3,779.46
Partners' Salaries	15,000.00	
	$317,316.61	$317,316.61

The following adjustments are to be made on December 31, 19—:

Merchandise Inventory, December 31, 19—	$30,675.87
Unexpired Insurance	75.45
Prepaid Advertising	175.49
Stationery on hand	465.86
Sales Salaries Accrued	869.78
Office Salaries Accrued	658.38
Interest Expense Accrued	58.95

Depreciation of furniture and fixtures is at the rate of 10% per annum, and of delivery equipment at 20% per annum.

Charge off such an amount for bad debts as will increase the reserve for Doubtful Accounts to 2% of the balance of Accounts Receivable.

The partnership agreement provided that partners' salaries were to be considered as a share of the net profits, and that all profits or losses which remained after deducting $5,000 per annum as salary for each partner were

to be distributed according to the average investment of each during the year.

All withdrawals and investments of the partners during the year were recorded in their drawing accounts and were as follows:

	Peters	Harris	Gardner
WITHDRAWALS:			
Jan. 15		$ 6,500	
Mar. 1			$ 4,000
Apr. 1	$ 8,000	3,000	
June 1	7,000		
June 15		6,000	
July 15	5,000		
Aug. 1			5,000
Oct. 1			4,000
Totals	$20,000	$15,500	$13,000
INVESTMENTS:			
Oct. 15	11,000		
Nov. 1		7,500	
Nov. 15			7,000
Balance of Drawing Accounts	$ 9,000	$ 8,000	$ 6,000

The balances of their capital accounts as shown in the trial balance remained unchanged during the last year.

Prepare a pro forma balance sheet and a profit and loss statement for the year.

3. Assume that the partners agreed in the above Problem 2, to charge interest at 6% per annum on all withdrawals and credit it on all investments during the year, and then to distribute the profits which remained after allowing for partners' salaries, in their net capital ratio after considering withdrawals. What would be the amount of the net operating profits that would be received by each partner? Does that amount differ from that allotted to him in Problem 2 above, and, if not, why not?

Give the journal entries which will record the interest on withdrawals and investments and the sharing of the profits according to the assumptions made in this problem.

4. Potter, Parker, and Palmer are in partnership and have the following balances in their capital accounts on July 1, 19—: Potter $25,000; Parker $30,000; and Palmer $45,000. Interest at 6% per annum is to be allowed on capital, and profits or losses are to be distributed, 5/12 to Potter, 3/12 to Parker, and 4/12 to Palmer.

The net operating profit for the year ending June 30, 19—, is $5,200.

(a) Give the entries necessary to record the interest and to distribute the profits remaining after crediting the partners with this interest.

(b) Show the capital account of each partner, posted in detail, as it appears at the end of the year.

Assignment 24

1. (*A continuation of Assignment 23, Problem 1.*) Make record in the various books of original entry of the following transactions for December, figures at the left margin indicating day of the month.

December

15. Sent a consignment of Dept. A goods, $1,200 to A. T. Garson, to be sold on a 5% commission basis. Drew a 30-day sight draft on Alexander Hill & Co. to apply on account, $2,500, which was accepted. Hall, Walter & Co. gave a 30-day 6% note for balance of their bill of December 5, less 3%. The Franklin Moffit Co. note was paid us with interest. Received from Automatic Pencil Sharpener Co. in full settlement, the net balance due as shown by their two accounts, advantage being taken of the discounts both ways. Paid Yawman & Erbe note due today with interest. McAuley withdrew cash $500; Knowles $500.

16. Bought from American Kardex Co., 3/10, n/30, Dept. A $629.50; Dept. B $350.40. Bought on account of the Yonkers Carpet Works, n/90, carpets and floor materials for showrooms. They charged $890 for the carpets, etc., and $125 for labor in laying them, with freight of $22.80 prepaid by them and charged to the firm. Returned to the Protectograph Co. Dept. B $258. Gave Apex Office Supply Co. 30-day note at 6%, for bill of December 6, less 1%. The Peerless Motor Co. paid their bill of December 6, less 1%.

17. Sold Franklin Moffit Co., 1/10, n/30, Dept. A $987.40; Dept. B $1,642.70; with prepaid freight charged them $62.15. Paid freight and cartage bills to date $569.47.

19. Bought of American Duplicator Co., n/60, Dept. A $4,897, with prepaid freight $297.69. Sold Willis, Dickson, Inc., n/10, Dept. A $892.50; Dept. B $274.90. The Clark & Smith note was paid with interest. Browne Morse Co. gave the company a 30-day 6% note for the bill of December 7, less 1%. Drew from stock for completing showrooms, furnishings, Dept. A $2,790; Dept. B $650. Hall, Walter & Co. paid the firm $100 for the use of one of the motor trucks for the week. Alexander, Hill & Co. paid their bill of December 12, less 2%. Gave Dictation Devices Co. $2,500, 30-day note at 6% and the balance in cash, in settlement of invoice of December 9, less 1%. Paid note due at bank today.

20. Sold Sundry Customers to date receiving full cash payments, Dept. A $2,447.50; Dept. B $1,679.35. Sold Yonkers Carpet Works 1/10, n/30, Dept. A $889.70; Dept. B $632.40. Paid American Banking Machine Co. $5,000 on account.

21. Returned to American Banking Machine Co., Dept. A $289.50, and Dept. B $186.70, of invoice of December 14. The company accepted

the draft, to apply on account, drawn by the American Kardex Co., at 60 days from December 18, for $2,500. Paid Filing Systems & Cabinet Co. $2,500 on account.

Instructions

December 15. The word "balance" as in the sentence, "Hall, Walter & Co. gave a 30-day 6% note for balance of their bill of December 5, less 3%," calls attention to an adjustment of some sort—returns or allowances—which has been or is to be considered in determining the amount still due.

Use Second Method page 482 for consignment transaction.

Transfer through the general journal the claim of the Automatic Pencil Sharpener Co. to their account in the sales ledger, taking into consideration the sales discount to be allowed and the purchase discount to be taken. Remember to record these amounts in the proper columns. The balance of the latter account will be offset by the credit from the cash receipts journal

December 16. Record the purchase made from the Yonkers Carpet Works in the proper column of the general journal. Charge Store and Warehouse Furniture and Fixtures.

December 17. Charge the freight and cartage to In-Freight and Cartage.

December 19. Credit the income received for the use of the motor truck to Sales General Expense.

2. James V. Lowell and A. I. Carlson decide to form a partnership to conduct an automobile agency. In order to avoid any misunderstanding, a partnership agreement is to be drawn up, covering among others the points mentioned below:

(a) Duration.
(b) Duties and powers.
(c) Capital contributions.
(d) Withdrawals of capital.
(e) Keeping the books of account.
(f) Personal withdrawals.
(g) Salaries.

List the provisions you would make under each one of these heads, assuming any specific information you deem necessary. Be careful of phraseology in order to render the agreement, from an accounting standpoint, unambiguous and clear.

3. The balance sheet of X, Y, and Z, a partnership, as at December 31, 19—, was as follows:

Assets		*Liabilities and Capital*	
Cash	$ 4,000	Notes Payable	$ 20,000
Accounts Receivable	70,000	Accounts Payable	60,000
Inventory	40,000	Loan from Y	10,000
Deferred Charges	500	Capital:	
Fixed Assets	65,000	X	75,000
Goodwill	20,500	Y	30,000
		Z	5,000
	$200,000		$200,000

At the date of the balance sheet, owing to a disagreement, it was decided to dissolve the partnership, and forthwith assets were realized, liabilities were liquidated, and resultant cash distributions were made to the partners on January 31, of the new year.

The accounts receivable realized $55,000, the inventory $30,000, and the fixed assets $47,000, the other assets having no value.

The profits of the partnership had been shared in the following proportions: X ½, Y ⅜, and Z ⅛.

Prepare the necessary journal entries to record the realization and liquidation and submit statements of the partners' accounts, as at January 31, after the cash distribution.

4. Assuming in Problem 3, that partner Z is bankrupt in his personal estate, what final distribution of the net cash will be made? Set up the necessary journal entry, with adequate explanation.

5. On April 30, 19—, St. John & Company and Carpel Brothers enter into a joint venture agreement. They each contribute $4,000, with which they pay for goods that are shipped on May 1 to John Doe of San Francisco. St. John & Company advance $400 to defray freight and incidental expenses. John Doe, the consignee, is allowed 10% on the cost of the goods and is to sell them at whatever price he can obtain for them.

On June 1, 19—, on the strength of a report sent by wire, Carpel Brothers draw at sight on John Doe for $4,000 to the order of Carl Peter of New York. On July 1, 19—, St. John & Company receive from the consignee a check for $11,200, all the goods being sold; on the same day St. John & Company settle with Carpel Brothers. Interest at 6% is allowed on all transactions affecting the partners in the venture.

Prepare all the ledger accounts brought about by the above on the books of St. John & Company, including a joint venture account. (Construct your ledger accounts in such a manner that they will explain fully what took place and make a cross-reference possible.)

Assignment 25

1. (*A continuation of Assignment 24, Problem 1.*) Make record in the various books of original entry of the following transactions for December, figures at the left margin indicating the day of the month:

December

22. Bought from Filing Systems & Cabinet Co., 3/10, n/30, Dept. A $3,695; Dept. B $4,272; with prepaid freight charges of $116.74. Sold Clark & Smith, 2/10, n/60, Dept. A $1,462.80; Dept. B $1,937.60. Hall, Walter & Co. paid $1,000 on account. Browne Morse Co. returned goods Dept. A $197.60; Dept. B $59.70.

23. Word was received that one of our Sundry Customers has gone into the hands of a receiver, owing $490, and settlement with creditors was made on the basis of 40% of all claims, cash being received for that amount. Bought of Library Bureau, 1/10, n/30, Dept. A $2,897. Sold Alexander, Hill & Co., 1/10, n/30, Dept. A $1,785.90; Dept. B $2,476.80. Paid Library Bureau $3,000 on account. Browne Morse Co. paid balance of their bill of December 13, less 1%.

24. The firm discounted its note at the Harding National Bank for 60 days at 6%, $5,000. Paid balance on American Banking Machine Co. bill of December 14, less 3%. Bought of Yawman & Erbe Mfg. Co., 2/5, n/20, Dept. A $4,567.90; Dept. B $976.50. Received on cash sales, Dept. A $458.60; Dept. B $1,124.70. Received a check from Willis, Dickson, Inc. for $5,000. Paid Yawman & Erbe Mfg. Co. $5,000. Standard Truck Co. gave a 30-day note at 6% for bill of December 14, less 1%.

27. We called to the attention of Willis, Dickson, Inc. an undercharge of $100 in the bill of December 19 in the Dept. B sale. Returned merchandise to Sundry Creditors, Dept. A $1,910; Dept. B $897.50. Sundry Customers returned goods, Dept. A $619; Dept. B $1,490. Paid advertising $2,000. Paid cash for purchases, Dept. A $4,209; Dept. B $2,010.70. Franklin Moffit Co. paid $5,000 on account. The Willis, Dickson, Inc. draft was given to the bank for collection.

28. The Willis, Dickson, Inc. draft was sent back because of insufficient funds; protest fees paid by the bank and charged to the firm were $2.50. Sold Sundry Customers, n/30, Dept. A $10,196.40; Dept. B $13,927.30. Paid the American Kardex Co. bill of December 16, less 3%. Received payment from Clark & Smith for bill of December 22, less 2%. Paid the Filing Systems & Cabinet Co.'s bill of December 22, less 3%.

Instructions

December 23. Refer to page 544 of the text as to the handling of the balance of the firm's claim against the bankrupt customer.

December 24. Cash sales will be recorded in the sales journal and included in the debit to Accounts Receivable account at time of summary. To offset this inflated debit, at the time cash sales are recorded also in the cash book the amount will be entered there in the Accounts Receivable column—not the General Ledger—and will thus be included in the credit to the Accounts Receivable account.

December 27. Record the Willis, Dickson, Inc. undercharge in the sales journal.

The entry of cash purchases is similar to that of cash sales.

2. The following trial balance is taken from the general ledger of Hittson, Farr & Fox on December 31, 19—, at the close of a 6-month fiscal period:

Cash	$ 13,000	
Accounts Receivable	55,000	
Notes Receivable	5,000	
Merchandise Inventory, July 1	29,000	
Furniture and Fixtures	15,000	
Buildings	75,000	
Land	5,000	
Notes Payable		$ 24,000
Accounts Payable		23,000
Mortgage Payable		50,000
B. Hittson, Capital		29,000
R. Farr, Capital		19,000
E. Fox, Capital		30,000
B. Hittson, Personal	2,700	
R. Farr, Personal	3,000	
E. Fox, Personal	1,500	
Sales		147,200
Purchases	72,000	
Delivery Expenses	11,500	
Selling Expenses	22,500	
General Expenses	12,000	
	$322,200	$322,200

The partnership agreement contains the following provisions: (1) Profits and losses are to be shared, 3/8 each by Hittson and Fox, and 2/8 by Farr. (2) In the event of the death of a partner, the business is to be continued until the close of the next regular fiscal period when the profits will be determined and the portion belonging to the partnership of which the deceased was a member shall be such part of the profits for the whole period as the length, in exact days, of the full partnership bears to the length, in exact days, of the fiscal period. (3) Upon the death or retirement of a partner, should the remaining partners elect to continue the business, the interest of the deceased or retiring partner shall be his equity in the business as shown by a net capital account plus his share of the goodwill to be determined by capitalizing at 20% the excess of the average net profits for the past 5 years, not including the current period, over 10% of the total average partnership capital during the same 5 years. (4) The equity of the estate of the deceased shall be credited with interest at 6% per annum from date of death to date of settlement.

Fox died on September 30 and the business was continued until December 31, when the books were closed and profits determined taking into account the following adjustment data:

On December 31, 19—, the merchandise inventory is $18,000. Set up a reserve for doubtful accounts at 1% of sales. Charge depreciation on furniture and fixtures 6½% and on buildings at 2% for the 6 months. Deferred selling expenses amount to $1,500 and accrued general expense is $2,000. The profits of the 5-year period for goodwill determination are found to be $6,000, $10,000, $12,000, $8,500, and $15,000, and the total average partnership capital during the same period $70,000.

(a) Determine the net capital interest of Fox on the date of his death.
(b) Draw up a balance sheet as of December 31, 19—.

3. The balance sheet of Rand & Black, a partnership, as at December 31, 19—, was as follows:

Assets		*Liabilities and Capital*	
Cash	$ 10,000	Notes Payable	$ 20,000
Accounts Receivable	90,000	Accounts Payable	30,000
Inventory	60,000	Rand, Capital	100,000
Fixed Assets	50,000	Black, Capital	60,000
	$210,000		$210,000

Profits were shared in the following proportions: Rand ⅗, Black ⅖.

On payment of $75,000, Gowin was admitted to partnership with a ⅕th interest in the capital and profits of the new firm of Rand, Black & Gowin, whose total capital on Gowin's admission, December 31, 19—, was agreed upon as $250,000.

The profit for the next half-year ended June 30, amounted to $40,000.

During the half-year, the partners' withdrawals were: Rand $14,000, Black $10,000, and Gowin $6,000.

(a) Prepare the journal entries to record the transactions on Gowin's admission to partnership.

(b) Draw up statements of the individual partners' accounts at June 30, after crediting the respective proportions of profit.

4. The articles of copartnership of Darby & Elwood provided that the partners share profits and losses equally, but that in the event of dissolution, the shares should be, Darby ⅝ and Elwood ⅜.

The firm, being in financial difficulties, has paid off all of its debts except a large claim of $35,000, this creditor finally forcing the firm to dissolve. At time of dissolution, Darby's net capital was $10,000 and Elwood's $5,000. Their cash balance at that time was $9,000 and all other assets upon sale realized $20,000.

Close the books of the partnership and show the partners' capital accounts after the settlement, assuming both to be solvent.

Assignment 26

1. (*A continuation of Assignment 25, Problem 1.*) Make record in the various books of original entry of the following transactions for December, figures at the left margin indicating the day of the month.

December

29. Upon presentation at the office of Willis, Dickson, Inc., the draft due December 27 was paid with the protest charge. Bought from Library Bureau, 1/10, n/30, Dept. A $3,297, with in-freight $269.87. Made partial payment to Yonkers Carpet Works $300.
30. Bought of Sundry Creditors, n/30, Dept. A $6,816.80; Dept. B $11,519.70. Sold Sundry Customers, n/30, Dept. A $32,279.90; Dept. B $26,819.40. Yonkers Carpet Works paid their invoice of December 20, less 1%. Received cash from sale of old showroom fixtures $1,450. The fixtures cost $2,500 5 years ago and have been depreciated at the rate of 10% per annum since that time. Received a check for $317.90 from Standard Truck Co.; and checks and cash from Sundry Customers $53,606.97 less $897.48; to one of whom we issued check for $25 due to inability to make change.
31. Reimbursed petty cash for cash vouchers $116.80, and distributed same: $62.40 to Sales General Expense; $23.10 to Office Expense; and the balance to General Expense. Paid Sundry Creditors, invoices of $29,467.45, less $842.90 discount. Paid sales salaries $4,200; salesmen's traveling expense $3,872.80; sales general expense $748.45; general salaries $3,764.90; advertising for January $2,000; general expense $1,714.92; office expense $482.70; interest and bank expense $86.80; office supplies $287.95. McAuley is credited for his salary allowance.

The statement from the bank as of December 31 showed the following:

Items not entered on the firm's books:

Interest credited, $24.79
Collection charges, 2.36

Checks outstanding:

#1296,	$1,347.60	#1329,	$181.64
#1314,	75.80	#1331,	296.70
#1315,	16.82	#1342,	897.60
#1318,	192.47		

A check from a Sundry Customer for $100, deposited on December 30, was returned by the bank as uncollectible. The firm had not yet been informed of this.

Balance by bank was $13,848.72.

Reconcile the bank statement with the cash book balance shown previous to the entry in the cash book of any items from the bank statement, and determine the true cash balance.

Instructions

December 30. Refer to pages 549–550 of the text as to the proper record to be made of the sale of the old showroom fixtures. Credit the gain on this sale to the Sales General Expense.

The amount of check for $25 is included in the amount received from Sundry Customers.

2. On January 1, 19—, The Sure-Fire Match Corporation is organized with an authorized capital stock of $500,000 divided into 5,000 shares of a par value of $100 each. The corporation is given the power to manufacture, sell, and distribute matches of all kinds. X, Y, and Z each subscribe to 1,000 shares at par, the balance to remain unissued until operations begin. On January 4, the subscribers pay for their stock in full. The organization

expenses are $3,500, of which $2,500 is the fee of the lawyer who accepts stock at par in payment. The balance is paid in cash.

Open the corporation books, journalizing the above transactions.

3. The Agricultural Research Corporation is organized to carry on research for the purpose of increasing the productivity of the soil and of decreasing the costs of marketing. This involves the ownership of experimental farms at various places over the country; a study of marketing methods; and the sale of literature and consulting service. The authorized capital stock is $1,000,000 divided into 5,000 shares of 7% non-cumulative preferred stock and 5,000 shares of common stock, both of a par value of $100 each. Of the preferred stock, 2,000 shares are subscribed for at $101, 2,000 at par, and 1,000 at $99. The first two lots are paid for in cash. On the third lot of 1,000 shares, however, $49 per share is paid in cash, the balance being subject to four equal calls, the first within 10 days—call for which immediately issues—the others as needed, but in no case earlier than 3 months from date of subscription. 3,000 shares of the common stock are subscribed for at 99½, payable $50 down and the balance within one week.

Cash is received on all subscriptions as agreed, and $7,500 is received from the first call. Organization expenses of $5,000 are paid.

(a) Draft the formal statement for the journal.

(b) Journalize the above transactions.

(c) Present a balance sheet of the corporation.

4. A corporation has an authorized capital stock of 5,000 shares of no-par value. One-half of the stock is subscribed for at $27.50 and paid for in cash. 1,000 shares are subscribed for at $30 on condition that they shall be paid for in two equal instalments, one of which was paid at time of subscription, and the second has been called. Another 1,000 shares have been subscribed for at $32 and the corporation has accepted as full payment a plant and its equipment. 100 shares have been issued at $25 to pay legal and other expenses of incorporation.

(a) Record the above in journal form.

(b) Draft the balance sheet of the corporation.

5. On June 30, 19—, The Sisson Drug Co. is incorporated in the State of Delaware to acquire the business of Mead & Baker and to continue the manufacture of drug specialties. The authorized capital stock is $50,000 consisting of 2,000 shares of a par value of $25 each. Mead subscribes to 750 shares, Baker to 600 shares, and Davis, the third incorporator to 500 shares, all at par. Mead & Baker execute a contract for the sale of their business, exclusive of cash, to the Sisson Drug Co. for $30,000, it being a part of the agreement that the transfer of their business shall be in partial satisfaction of their subscription agreements, the balances to be paid to the corporation in cash. Davis pays his subscription in cash. The corporation takes over the assets, except cash, of Mead & Baker and assumes their

liabilities at the values shown by their balance sheet on the date of sale, as follows:

Cash	$ 2,000	Accounts Payable	$ 2,700
Accounts Receivable	6,000	Mortgage Payable	9,000
Merchandise Inventory	6,500	Baker, Capital	10,400
Land	2,500	Mead, Capital	15,600
Buildings	19,500		
Furniture and Fixtures	1,200		
	$37,700		$37,700

The corporation issues 1,200 shares of its stock to Mead and Baker in payment of the purchase contract.

(a) Close the books of Mead & Baker and show the distribution of the Sisson Drug Co. stock to them. Mead and Baker share profits 60% and 40% respectively.

(b) Determine the amount to be paid by Mead and Baker, respectively, in satisfaction of their subscription contracts.

(c) Open the books of the corporation, journalizing the above transactions.

6. On January 1, 19—, the balance sheet of Smith, Lee & Jones appears as follows:

Cash	$ 2,000	Notes Payable	$ 1,500
Notes Receivable	2,500	Accounts Payable	3,200
Accounts Receivable	22,800	Mortgage Payable	5,000
Merchandise	3,600	Lee, Capital	11,800
Furniture and Fixtures	500	Smith, Capital	11,800
Real Estate	10,000	Jones, Capital	11,800
Machinery	2,000		
Other Assets	1,700		
	$45,100		$45,100

The Smith-Lee-Jones Corporation is organized with an authorized capital stock of 5,000 shares of common stock of no-par value. The corporation takes over the assets, including the cash, of the partners who accept in payment 1,000 shares each. It is stipulated that goodwill is to be brought on the books at $6,600. The new corporation continues the use of the old capital accounts, failing to bring the capital stock issue onto the books. No record has been made of goodwill. An accountant is called in at the end of the year to open the corporation books. The trial balance on December 31, 19—, is as follows:

Cash	$ 3,500
Notes Receivable	1,000
Accounts Receivable	27,000
Merchandise	4,000
Furniture and Fixtures	500
Real Estate	10,000
Machinery	2,000
Other Assets	1,200

Notes Payable		$ 2,000
Accounts Payable		4,000
Mortgage Payable		5,000
Lee, Capital		11,800
Lee, Drawing	$ 5,000	
Smith, Capital		11,800
Smith, Drawing	5,000	
Jones, Capital		11,800
Jones, Drawing	5,000	
Sales		102,130
Sales Returns and Allowances	500	
Purchases	60,000	
Purchase Returns and Allowances	300	
In-Freight	800	
Sales Salaries	10,000	
Selling Supplies and Expenses	2,000	
Out-Freight	900	
Delivery Expense	3,000	
Office Salaries	1,800	
General Expense	3,000	
Office Expense	250	
Taxes	320	
Insurance	370	
Interest Cost	540	
Sales Discount	1,200	
Purchase Discount		650
	$149,180	$149,180

Give the journal entries to open the corporation books and make all other necessary adjustments. Assume that the books of the partnership will continue to be used by the corporation.

Instructions

Problems 5 and 6. Follow the illustration on pages 362–365. In Problem 6, since the partnership books are to be continued, some new accounts will have to be provided. The partners' capital accounts must, of course, be closed off.

Assignment 27

1. (*A continuation of Assignment 26, Problem 1.*) Summarize and post completely all books of original entry.

Take a trial balance of the general ledger, recording it on pages 21–22 of the special journals blank book.

Prove your sales and purchase ledgers and record the proof with the general ledger trial balance, i.e., make a list or schedule of the accounts and show the list totals as agreeing with their respective controlling account balances in the general ledger trial balance.

Instructions

In summarizing the general journal, first foot all the columns and underline the totals. On the following lines write the summary entry which will appear as follows:

General			General
.....	General Ledger	√	
.....	Accounts Receivable		
.....	Accounts Payable		
	General Ledger	√	.....
	Accounts Receivable		.....
	Accounts Payable		.....

Since the items making up the "General Ledger" totals have already been posted, these totals will be checked.

In summarizing the sales journal, the cash sales need not be segregated from the credit sales in the summary entry, inasmuch as the inclusion of such receipts in the total to be posted to Accounts Receivable from the cash receipts journal will eliminate the inflation of the claims against customers shown by the controlling account.

The purchase journal will be summarized in the same way as the sales journal.

The items shown on the bank statement but not yet entered in the cash book are to be entered there before summarizing the cash book. See page 245 for instructions as to its summary.

When posting customers' and creditors' accounts, make sure that the corresponding controlling accounts will receive, either in totals or in items, the same amounts.

2. Journalize the following transactions:

(1) On July 25, The XYZ Co. repurchased 200 shares of its stock at $110, par value being $100. On August 10 it resold these shares at $112.

(2) The original issue of stock of the A Co. was sold at $98, par being $100. On September 5, it repurchased 100 shares at $102, and sold them on September 20 at $105.

(3) The Y Co. sold its issue of 10,000 shares of no-par common for $50. On January 15, 19—, it repurchased 2,000 shares at $45, and sold them on February 21 at $52.

3. The authorized capital stock of a corporation is $500,000 consisting of 5,000 shares, par value $100. Of this amount, $400,000 has been subscribed for and paid in full. The corporation purchases 10 shares of a dissatisfied stockholder for $75 a share, and 5 other stockholders each donate 5 shares to the company. Five shares of the purchased stock and all of the donated stock are sold for $50 a share.

(a) Draft journal entries for the above and take a trial balance after posting.

(b) Draw up a balance sheet.

4. The Brill Co. was organized on January 2, 19—, with an authorized capital stock of 10,000 shares of common stock of no-par value and 5,000 shares of preferred of $100 par value.

On January 2, 2,000 shares of common are sold and paid for at $52 per share. On 5th, 1,000 shares of preferred are subscribed for at $98. On 6th, 500 shares of common are subscribed for at $54. On 7th, payment is received for preferred subscriptions of January 5. On 9th, 50% of subscriptions due on common are paid in cash, and the company accepts a 3-month 6% note for the balance. On 12th, 250 shares of common stock are donated to the treasury. On 13th, 125 shares of the donated stock are sold at $45 cash. On 14th, organization expenses of $2,000 are paid with 50 shares of common stock.

Journalize the above transactions and draft balance sheet.

5. X, Y, and Z, each engaged independently in the manufacture of steel specialties, feel that a consolidation of their interests will be of material benefit to them. They accordingly organize the Steel Products Manufacturing Co., a corporation with an authorized capital stock of 25,000 shares of common stock of no-par value and 12,500 shares of preferred of $100 par value. The preferred is callable at $105. The assets taken over are real estate $400,000, machinery $200,000, and merchandise $150,000. In consideration, X, Y, and Z agree to accept 10,000 shares of no-par common and 5,000 shares of preferred at par. The no-par common issued for this purpose is brought onto the books of the corporation at $50 a share. 5,000 shares of the no-par common are sold for cash at $58; 5,000 at $56; and 5,000 at $53. 5,000 of the preferred shares are sold for cash at $98 and the remainder at $103. All available cash is invested in new equipment. To provide working capital, X, Y, and Z each donate 1,000 shares of no-par common to the treasury. 1,200 shares of treasury stock are sold for $45 per share.

To raise funds for further improvements, the company mortgages its buildings as security for a $200,000 issue of 5% bonds, bearing interest payable semi-annually, and maturing in 10 years. $50,000 of the bonds are sold at $105, $50,000 at par, and $75,000 at $95. Bond expenses are $7,500.

One-half of the outstanding preferred stock is recalled and redeemed.

The balance of the bonds amounting to $25,000 is sold 3 months after issue at par and accrued interest. Bond discount and premium are to be prorated over the life of the bonds. A sinking fund is created to provide for the redemption of the bonds at maturity. $10,000 in cash is to be set aside at the end of every 6 months. In order to prevent the distribution in dividends of the corporation's surplus, a sinking fund reserve is periodically credited with the same amount that is paid into the sinking fund.

Profits from operations retained in the business at the end of 10 years amount to $500,000.

All periodic payments have been made to the sinking fund.

At maturity the bonds are redeemed.

(a) Journalize the opening entries for the corporation and draft a balance sheet.

(b) Journalize all succeeding transactions.

(c) On the assumption that no changes, other than those provided for above, have taken place in the company's assets and liabilities, take a trial balance and draft a balance sheet at the end of the ten-year period.

Assignment 28

1. (*A continuation of Assignment 27, Problem 1.*) Prepare an accountant's work sheet for the year ending December 31, 19—, taking the following adjustments into consideration:

Accrued Expenses: Salesmen's salaries $385. General salaries $416.90. Amount due on repairs to building $500. Mortgage interest $1,050. Interest on notes: Library Bureau note $12.50; Apex Office Supply Co. note $5.92; Dictation Devices Co. note $5. Accrued freight bills $824.34. Accrued taxes $378. Chauffeurs' wages $160.60. Garage bills $216 ($100 for gasoline and balance for repairs.) Automobile tire $90.

Prepaid Expenses: Interest on note discounted at the Harding National Bank $44.17. Advertising $2,000. Insurance $2,867.90. Prepaid dues to Merchants' Association $50.

Accrued Income: Interest on following notes: notes receivable special $8.75; Hall, Walter & Co. $3.77; Browne Morse Co. $3.73; Standard Truck Co. $1.46. Bank interest on inactive deposit with Coolidge State Bank $24.36.

Upon analysis, $387.86 of the freight bills was found to be out-freight.

Take into account depreciation at the yearly rates of: 3% on buildings; 20% on delivery equipment; 10% on store and office furniture and fixtures. No depreciation is to be charged on the store and warehouse furniture and fixtures newly installed. Create a reserve for doubtful accounts equal to ½% of net sales.

Inventories showed the following on hand: Dept. A $79,897.80; Dept. B $51,764.32; office supplies $296.45. In-freight was apportioned between the departments on the basis of net purchases. Charge 90% of insurance expense to selling expenses.

In answer to our request, A. T. Garson submitted the following information regarding his consignment:

Sales to customers		$800.00
Expenses paid by him:		
Freight and drayage	$58.22	
Insurance	12.54	

A formal account sales will not be rendered till completion of sales of entire consignment. The quantities of unsold articles reported showed, upon pricing, a valuation of $600. Word was also received that a check for the amount due on sales as above would follow immediately after certification by the bank. It was decided to defer one-half of the above expenses reported by the consignee as applicable to the remainder of the consignment.

Analysis, based on vouchers and invoices, showed the following content of the Sales General Expense account before adjustment:

Garage rent	$1,800.00	Crates, boxes, and shipping supplies	$1,374.30
Chauffeurs' wages	8,969.34	Light and heat	3,775.37
Shipping clerks' wages	2,775.13	Sundries	330.80
Gasoline and oil	2,491.68	Profit on sale of old storage and warehouse furniture and fixtures	200.00
Licenses, trucks	96.00	Renting of truck	100.00
Repairs	895.46		
Stationery, supplies, and postage	1,237.29		
Tires and tubes	714.78		

Likewise, a similar analysis of the General Expense account before adjustment showed the following distribution:

Cleaners' and watchman's wages	$4,369.75	Contributions	$1,000.00
Repairs to buildings	2,174.65	Light and heat	1,869.43
Changes in partitions	1,215.79	Merchants' Association dues	100.00
Auditor's fees	1,500.00	Sundries	824.08
Legal fees	2,500.00		

Make a computation of the goodwill of the firm in accordance with the partnership agreement. For this purpose, the net profits and partners' capital investments of the preceding 5 years were found to have been as follows:

Net Profit	McAuley	Roberts	Knowles
$16,504.10	$56,400	$67,400	$90,250
21,352.18	58,700	68,900	92,900
19,765.43	60,500	71,250	94,800
23,017.36	63,200	72,400	96,750
24,271.80	65,400	73,700	98,500

Calculate the portion of profit belonging to Roberts' estate and so determine that interest. Be sure to include interest at 6% from date of death to December 31, when it is intended to make a settlement.

Attach a schedule to the work sheet giving a complete distribution of the profits for the period.

Instructions

Refer to Chapter 33 of the text as to consignments. In this case make use of the Consignment Accounts Receivable account for recording the claim against the consignee, and be careful to charge the proper amount of expenses against the income to be taken into the earnings for this period. Handle the deferred expense items on the consignments in the Out-Freight account. Do not forget to adjust the memorandum accounts so that they will show the value of goods still out on consignment, and take the latter amount into consideration when setting up the final inventories on the books.

Bring the goodwill onto the work sheet, making distribution direct to the partners' capital accounts.

2. On December 31, 19—, the following data are taken from the books of the X Manufacturing Co.:

Raw materials purchases $275,000. Payroll (including indirect labor $100,000) $325,000. Raw materials requisitioned $225,000. Factory expenses (excluding indirect labor) $200,000. Finished stocks manufactured for the period are composed of raw materials $150,000. Direct labor $75,000, and burden $225,000. Cost of finished goods sold $200,000. Raw materials inventory, December 1, $45,000.

(a) Give entries in journal form to record these transactions.

(b) Present a trial balance.

Assume all payments above were in cash.

3. The initial inventory of raw materials is $125,000; purchases $200,000; in-freight $10,000; purchase returns and allowances $5,000; cash discount on purchases $6,000; and the total cost of raw materials used $270,000. Find the final inventory of raw materials.

4. From the following information taken from the books of the Raymond Manufacturing Co., prepare a statement of Cost to Manufacture for the month ending December 31, 19—. (Use the form illustrated on page 395.)

Inventory of Goods in Process, December 1	$ 20,000	Indirect Labor	$ 75,000
Inventory of Goods in Process, December 31	30,000	Supervision	5,000
Raw Materials Inventory, December 1	75,000	Fuel	2,500
Raw Materials Purchases	120,000	Boiler Room Supplies	1,000
Raw Materials Inventory, December 31	60,000	Water	2,200
In-Freight on Raw Materials	9,000	Depreciation Machinery	1,100
Raw Material Returns to Vendor	12,000	Building Expense	1,800
Direct Labor	120,000	Depreciation Buildings	1,400
		Taxes on Factory	900
		Insurance on Factory	700
		General Factory Expense	2,400
		Light	385
		Factory Supplies	4,000

5. (*A continuation of Problem 4.*) The finished goods inventory on December 1 is $50,000, and on December 31, $40,000.

Set up the schedule of Cost of Goods Sold.

6. Using the information contained in Problems 4 and 5 and the following data, draw up a statement of profit and loss for the Raymond Manufacturing Co. for the month ended December 31, 19—:

Sales	$500,000	Printing and Stationery	$ 400
Sales Returns and Allowances	23,700	Telephone and Telegraph	150
Sales Salaries	5,000	Depreciation Delivery Equipment	725
Delivery Expense	3,000	Depreciation Furniture and Fixtures	325
Advertising	9,000	Depreciation Buildings	1,500
Sales Commissions	22,000	Taxes	150
Out-Freight	2,320	Bad Debts	2,415
Warehouse Rent	500	Insurance	1,000
Office Salaries	1,500	Interest Cost	800
Office Expense	800		

Assignment 29

1. (*A continuation of Assignment 28, Problem 1.*) Using the work sheet and its schedule of profit distribution as a guide, draw up pro forma balance sheet and statement of profit and loss for the year ending December 31, 19—. Show the gross profit on the sales of each department. Support both the balance sheet and the profit and loss statement with properly set-up schedules.

Instructions

BALANCE SHEET. Where the number of accrued and deferred items is small, they may be shown on the face of the balance sheet or in attached schedules as preferred. See page 685 for form of schedules. Be sure to classify properly the account, Estate of Myron R. Roberts.

PROFIT AND LOSS STATEMENT. Where the record of the period's business has been made by departments, it is desirable that the summary for the period show departmental results, at least so far as the gross profit stage. To get rid of the detail on the face of the statement, schedules may be appended showing such items as Cost of Goods Sold, the group of Selling Expenses, the group of General Administrative Expenses, etc. Such a statement of profit and loss, supported by schedules, is called a condensed profit and loss statement. See the form suggested in Appendix A, page 686.

In preparing the schedules of expenses, refer to the previous assignment for the analysis of the Sales General Expenses and General Expense accounts.

Analyze the Interest and Bank Expense account into expense and income, and show these items separately in the statements.

2. From the purchase ledger of the X Manufacturing Co., the following data are taken showing the separate invoices covering unpaid purchases as on December 1:

Square Paper Box Co.....	$125.40	Rainbow Fibre Co.....	$230.63
Square Paper Box Co.....	232.12	Rainbow Fibre Co.....	126.47
National Container Corp...	212.32	Vienna Fancy Case Co.....	702.08
Otis Manufacturing Co....	487.15	Hy-Grade Food Products..	923.71
W. C. Ritchie & Co.....	784.18	Mitchell & Moffet.....	197.84
L. Rohrberg	79.25	Mitchell & Moffet.....	528.12
L. Rohrberg	392.84	F. J. Leonard.....	821.06

(a) Draw up a form of voucher register and transfer to it the above accounts.

(b) Close the accounts payable ledger.

(c) Provide a Vouchers Payable control but defer entry in it until the time of the regular monthly summarization of the voucher register.

3. A voucher register contains the following columns: Date of Entry, Voucher Number, Creditor, Explanation and Terms, Payment, Vouchers Payable, Purchase Discount, Raw Materials, In-Freight and Cartage, Direct Labor, Indirect Labor, Factory Expense, Sales Salaries, Selling Expense, Office Salaries, Office Expense, Sundry Charges column followed by Ledger Folio and Account to be charged columns. The "Payment" column is subdivided into Date and Manner.

(a) Prepare a voucher register using the above columns and enter the following items. Assume a voucher is issued for each transaction. Number vouchers starting with #845.

January

2. Invoice for raw materials from L. C. Smith, $456.22, terms 2/10, n/30. Rent payable to Harry Wilcox $300. Invoice for machinery from United Machinery Co. $4,500, terms 5/60, n/90.
3. Freight bill received from N. Y., N. H. & H. R. R. Co. for freight on purchase from L. C. Smith $33.75.
4. Voucher for payroll issued as follows: Direct Labor $500; Indirect Labor $275; Sales Salaries $300; Office Salaries $45.
5. Invoice for raw materials from Arthur Diamond $926.42, terms 2/10, 1/30, n/60.
6. Voucher is issued for a 60-day 6% note payable today at the Congress Bank and Trust Co. $1,000.
8. Bill for advertising in The Times Standard $72.50, terms n/10.
9. Bill for stationery and printing from the Consolidated Printing Co. $122.70. Bill for telephone and telegraph from the Bell Telephone Co. $55.30.
10. Credit memo for $18.31 received from Arthur Diamond for overcharge on invoice of January 5.
11. Invoice for raw material purchases from L. C. Smith $378.08, terms 2/10, n/30. Voucher for payroll issued as follows: Direct Labor $480; Indirect Labor $240; Sales Salaries $275; Office Salaries $45.
12. Bill for freight from N. Y., N. H. & H. R. R. Co. for goods received from L. C. Smith $27.62.
14. Bill for insurance on factory buildings from Mathay & Brenner $110.70. Bills for taxes on factory land and buildings from New York City $800.54.

(b) Summarize, rule, and post the voucher register. Indicate postings by entering assumed ledger page numbers. Use "T" accounts.

4. (a) Draw up a form of cash disbursements journal suitable for use in connection with the voucher register of Problem 3 and enter the following data:

Jan. 2.	Paid voucher #846	Jan. 9.	Paid voucher #845
3.	Paid voucher #848		Paid voucher #853
4.	Paid voucher #849		Paid voucher #854
6.	Paid voucher #851	10.	Paid voucher #856
8.	Paid voucher #852	12.	Paid voucher #857
		14.	Paid voucher #858

(b) Fill in the payment column in the voucher register.

(c) Summarize the cash disbursements journal.

(d) Schedule all unpaid vouchers and prove the total against the general ledger control.

Instructions

Use for Problems 2–4 of this assignment the multi-column analysis paper provided in your budget of supplies, or any unruled letter-sized paper.

Problem 2. Note the significance of requirement (c) in its relation to (a). It is not necessary to fill in headings of the distribution columns.

Problem 3. Follow the form shown on page 408.

Problem 4. Give the paid vouchers consecutive check numbers and show these entered.

Assignment 30

1. (*A continuation of Assignment 29, Problem 1.*) Adjust and close the ledger through the general journal in accordance with the data given in Problem 1 of Assignment 28. Use the work sheet and profit and loss statement as a guide. Be sure to close off Roberts' Capital and Personal accounts after the interest of his estate is determined.

2. Prepare a statement of Surplus for Doe & Co. as of December 31, 19—, taking into consideration the following information:

(1) Surplus of January 1, 19— was $478,265.32.

(2) Inventory of January 1, 19— was understated by $63,241.18.

(3) Inventory of December 31, 2 years ago, was overstated by $71,814.42.

(4) A heavy rain storm flooded the stock-room, damaging goods to the extent of $18,246.37.

(5) Depreciation on buildings was underestimated for the previous year. The value of the buildings as shown by the books was $120,000 and depreciation was charged at 8%, whereas a rate of 10% should have been used.

(6) Net profits for the current year are $197,684.03.

Follow the form on page 425.

3. The outstanding capital of Henry & Co. is $10,000,000 divided into 150,000 shares of no-par common stock (of which 100,000 are outstanding) and 50,000 shares of preferred of $100 par value. The surplus account shows $3,000,000. A cash dividend of 6% is declared on the preferred and a stock dividend of 25% on the common. Both are paid.

Give journal entries to record the declaration and payment of dividends.

4. The outstanding capital of the Elite Chemical Co. is $5,000,000 divided into 25,000 shares of common stock and 25,000 shares of preferred stock, both of no-par value. Its surplus at the close of the year is $2,350,660.28. Profits for the year are $67,288.41. Quarterly dividend #61 of 50 cents a share is declared on the preferred and #29 of 75 cents a share on the common. Goodwill was set up on the books during the year at $200,000. The Premium

on Capital Stock account has a balance of $45,000. $15,000 has been set aside as a reserve for building fund.

Show the Net Worth section of the balance sheet:

(a) With surplus shown in detail.

(b) With surplus supported by a schedule. Show this schedule.

Assume that the goodwill was not purchased.

5. The following trial balance is taken from the books of the P. T. Smith Manufacturing Co. for the 3 months ending March 31, 19—. The company's fiscal period is 3 months and the books are kept on the accrual basis.

Cash	$ 25,000.00	
Accounts Receivable	150,000.00	
Reserve for Doubtful Accounts		$ 3,200.00
Finished Goods Inventory, January 1	51,000.00	
Goods in Process Inventory, January 1	40,000.00	
Raw Materials Inventory, January 1	58,000.00	
Investments	30,000.00	
Interest Income Accrued	675.00	
Factory Supplies	7,500.00	
Office Supplies	5,000.00	
Insurance Unexpired	6,200.00	
Plant and Equipment	375,000.00	
Depreciation Reserve Plant and Equipment		13,750.00
Goodwill	100,000.00	
Accounts Payable		118,000.00
Interest Cost Accrued		736.25
Bonds Payable		150,000.00
Premium on Bonds		1,500.00
Capital Stock		150,000.00
Discount on Capital Stock	1,200.00	
Surplus		362,630.00
Sinking Fund Reserve		15,000.00
Sales		1,200,000.00
Sales Returns and Allowances	15,400.00	
Raw Materials Purchases	385,000.00	
Freight-In on Purchases	11,000.00	
Direct Labor	335,000.00	
Indirect Labor	95,000.00	
Salaries—Factory	24,000.00	
Plant Repairs and Maintenance	6,500.00	
Light, Heat, and Power	13,200.00	
Sundry Factory Expense	15,000.00	
Sales Salaries	140,000.00	
Advertising	17,000.00	
Delivery Expense	32,000.00	
Sundry Selling Expense	21,000.00	
Office Salaries	29,000.00	
Sundry Office Expense	18,000.00	
Taxes	3,750.00	
Sales Discounts	7,500.00	
Collection Expense	4,500.00	
Interest Cost	391.25	
Purchase Discount		8,000.00
	$2,022,816.25	$2,022,816.25

The following information is available for adjusting and closing the books:

(1) Finished Goods Inventory January 1, was overstated $21,214.08.
(2) During the current year goodwill was brought on the books at $100,000.
(3) A fire loss not covered by insurance amounted to $45,000, the book value of the buildings destroyed.
(4) The company declared, on March 31, a dividend of 8% on its capital stock, payable April 25 to stock of record on April 15.
(5) Inventories, March 31: finished goods $63,500; goods in process $45,000; raw materials $2,200; office supplies $1,100.
(6) Estimate of doubtful accounts 1% of net sales.
(7) Estimate of depreciation of plant and equipment at the rate of 10% per annum.
(8) Unexpired insurance is $4,000.
(9) Accrued interest income is $342.
(10) Accrued interest cost is $91.40.
(11) Accrued direct labor $3,700; indirect labor $1,800.
(12) Prorate the following expenses departmentally: (a) Depreciation 66% to factory, 12% to selling, and 22% to office. (b) Insurance 70% to factory, 20% to selling, and 10% to office. (c) Light, heat, and power: 85% to factory, 5% to selling, and 10% to office. (d) Plant repairs and maintenance: 75% to factory, 10% to selling, and 15% to office.

Prepare the following:

(a) Work sheet.
(b) Condensed balance sheet with schedules.
(c) Condensed statement of profit and loss with schedules.
(d) Adjusting and closing journal entries.

Assignment 31

1. (*A continuation of Assignment 30, Problem 1.*) On January 2, 19—, after Roberts' interest in the business as at the date of his death has been determined, McAuley and Knowles arrive at a settlement with the executors of the estate. They make a payment of $5,000 in cash and give three notes of equal amounts for the remainder, maturing 1, 2, and 3 years from the date of settlement and bearing interest at the rate of 6% per annum.

Baldwin N. Gray is then admitted to partnership with McAuley and Knowles on January 2, 19—, the new firm to be known as McAuley & Co. He invests $28,000 in cash and $20,000 in Liberty bonds to secure a 1/6th interest in the profits and net assets of the business. The records of McAuley, Roberts & Co. are to be continued for the new firm, book values being accepted as shown, except that the firm's realty holdings are appraised by a competent appraisal engineer who places a value of $20,000 on the land and $75,000 on the building. The benefits of the appreciation in value accrue to the old partners. The depreciation reserve is also increased $5,000.

The capital representations of the partners in the new firm are to be McAuley $120,000, Knowles $120,000, and Gray $48,000. Profits and losses are to be shared in this same ratio. McAuley and Knowles transfer the balances of their personal accounts to their respective capital accounts. They deposit or withdraw cash to bring their capital accounts up to their respective representations in the new partnership.

Make the entries to record the above transactions.

2. The Owl Drug Company has an average rate of stock turn for their strictly drug articles of 4.9, and their average stock carried, at retail, amounts to $59,876.40. For all other articles sold, they have an average stock turn of 2.8, and average stock carried, at retail, amounts to $20,591.72.

Determine the amount of sales for each class of goods.

3. On August 15, 19—, the gross profit in a certain business is $17,825.80; its sales to date are $44,564.50; its purchases at retail are $65,672.41; and the inventory at retail on August 1 was $17,998.62. What is the cost price of inventory on August 15?

4. What amount of capital should the treasurer of a company allow for a buyer who wants to keep an average merchandise stock based on the following: estimated sales for the period $825,674; average rate of turnover 4½; and mark-on 30%. The buyer sends in a notice that the allowance should be made greater on the basis of a 10% increase in the volume of sales.

5. The Jeanette Dress Goods Co. had stock on hand valued on January 1, 19— at $60,798.12 retail. This was believed to be too great an investment in stocks of merchandise. Accordingly, on June 30, 19—, it was planned to have an inventory 20% less. Sales for the corresponding period of the previous year were $142,918.12. This year's sales were expected to be greater by about 10%. Determine the company's buying quota if mark-on is 35%.

6. C. L. Barnhart & Co. estimated that their sales for the current period would be about $550,000. The sales to date amounted to $532,925.50. A taking of stock showed the present inventory to have a retail value of $60,912.25. Goods in transit and paid for in advance had a retail value of $12,500. It had been planned that there would always be $41,550 worth of stock on hand at the end of each period. A new estimate of stock to be on hand at the end of each period called for an additional $9,500 of merchandise.

Is Barnhart & Co. open to buy and, if so, how much?

7. The Franklin Construction Co. are builders specializing in the construction of concrete forms. Their maximum supply of sacks of cement has been set at 1,500, and their minimum supply at 250 sacks.

Determine the actual and available balances from the following:

In warehouse	425 sacks	Returned from job #3	5 sacks
Shipped to job #3	15 sacks	Received from Portland Cement Co.	300 sacks
Sales	50 sacks	Reserved for job #14	25 sacks
Ordered from Portland Cement Co.	500 sacks	Sent to job #12	150 sacks
Reserved for job #12	300 sacks		

Are the minimum and maximum stock limits being maintained?

Assignment 32

1. This set contains material for students' practice work in keeping the records of a corporation engaged in trade and manufacture. It comprises a general journal, a sales journal, a sales returns and allowances journal, the cash journals, all bound together in one book; a voucher register bound separately; a note receivable and a note payable journal, bound together in one book; and a general ledger and sales ledger, also bound together in one book. Of the "journals," pages 1–27 comprise the general journal; pages 28–33 the cash book; pages 34–35 the sales journals; and page 36 the sales returns and allowances journal. Of the "Voucher Register" blank, pages 14–20 are to be used for trial balances. The note journals are self-explanatory. Of the "ledger" blank, pages 1–23 comprise the general ledger; and pages 24–28 the sales ledger. As to column headings, those on each side—but in reverse order—of the general journal are: Vouchers Payable, Accounts Receivable, and General. The sales journal has but one money column and a column for terms of sale. The sales returns and allowances journal has the same ruling as the sales journal. The four columns of the cash receipts journal will be headed as usual. In the cash disbursements journal, only three money columns will be used, being headed from extreme right to left, Bank, Purchase Discount, and Vouchers Payable. Columns are also provided for L. F., Vo. No., and Ck. No., to the left of the money columns. In the voucher register, the columns, beginning with the total column, will be headed: Vouchers Payable; Raw Materials; Freight-In; Direct Labor; Indirect Labor; Factory Superintendence; Building Repairs and Maintenance; Machinery Repairs; Light, Heat, and Power; Sundry Factory Expense; Salesmen's Salaries; Advertising; Shipping and Delivery Expense; Sundry Selling Expense; Salaries—Office; Telephone and Telegraph; Sundry Office Expense; Interest Cost; Collection Expense; and Sundry Charges. The two columns to the left of "Vouchers Payable" will be headed: Paid, with subheads, Date and How. Voucher Number and Date columns are also provided. See page 408 for the general form of set-up of column heads. The column heads for the two note journals are printed in.

The Home Television Company was organized and incorporated under the laws of the State of Delaware. Statements are made monthly but the books are closed once a year on December 31. A trial balance taken from the general ledger on November 30, 19—, shows as follows:

1	Mechanics Bank	$ 18,294.30	
1	Petty Cash	200.00	
1	Notes Receivable—Trade	5,678.49	
1	Accounts Receivable—Trade	75,777.91	
2	Reserve for Doubtful Accounts		$ 4,775.68
2	Finished Goods Inventory, January 1	35,193.79	
2	Goods in Process Inventory, January 1	32,060.91	
2	Raw Materials Inventory, January 1	21,824.18	
3	U. S. Liberty Bonds	25,000.00	
3	Factory Supplies Inventory	2,807.78	
3	Shipping Supplies Inventory	6,905.01	
3	Office Supplies Inventory	2,501.97	
4	Insurance Unexpired	5,635.49	
4	Sinking Fund	12,360.82	
4	Office Furniture and Fixtures	2,849.00	
4	Depreciation Reserve Office Furniture and Fixtures		903.00
5	Delivery Equipment	7,000.00	
5	Depreciation Reserve Delivery Equipment		1,478.40
5	Factory Land	40,000.00	
5	Factory Building and Fixtures	175,000.00	
6	Depreciation Reserve Factory Buildings and Fixtures		26,250.00
6	Machinery	42,546.00	
6	Depreciation Reserve Machinery		11,795.56
6	Tools	1,498.00	
7	Patents and Trade-Marks	50,000.00	
7	Goodwill	100,000.00	
7	Notes Payable		10,794.00
7	Vouchers Payable		25,706.88
8	Bonds Payable (5% semi-annually)		75,000.00
8	Discount on Bonds Payable	1,940.63	
8	Capital Stock Common		100,000.00
8	Capital Stock Non-Cumulative Preferred (7%)		100,000.00
9	Surplus		252,475.21
9	Sinking Fund Reserve		11,250.00
9	Dividends Payable Common		
9	Dividends Payable Non-Cumulative Preferred		
10	Cost of Raw Materials Used		
10	Manufacturing		
11	Cost of Goods Sold		
11	Profit and Loss		
12	Sales		290,980.98
12	Sales Returns and Allowances	1,594.96	
12	Raw Materials Purchases	140,331.61	
12	Raw Materials Purchase Returns and Allowances		695.69
13	Freight-In on Purchases	2,230.38	
13	Direct Labor	48,037.78	
13	Indirect Labor	6,370.41	
13	Factory Superintendence	6,405.23	
14	Building Repairs and Maintenance	2,578.88	
14	Machinery Repairs	1,549.45	
14	Light, Heat, and Power	2,939.02	

14	Sundry Factory Expense	$ 561.05		
15	Consignment-Out Profit and Loss		$	351.75
15	Salesmen's Salaries	6,101.55		
15	Advertising	5,451.05		
15	Shipping and Delivery Expense	9,174.40		
16	Sundry Selling Expense	306.18		
16	Salaries—Office	5,775.42		
16	Depreciation			
16	Taxes	784.61		
16	Insurance Expense			
17	Telephone and Telegraph	782.51		
17	Sundry Office Expense	263.19		
17	Interest Cost	4,219.11		
17	Bad Debts			
18	Collection Expense	1,356.88		
18	Sales Discounts	3,124.35		
18	Interest Income			1,113.80
18	Purchase Discount			1,273.38
19	Commissions Income			409.36
19	Consignment-Out, General Electric Co.	560.81		
19	Consignment-In James Fitch	8.40		327.82
19	Profit and Loss from Sale of Investments			
20	Profit and Loss from Sale of Fixed Assets			
		$915,581.51	$	915,581.51

Open all the above accounts in your general ledger and enter under date of November 30, the balances given in the trial balance. The number in front of each account in the trial balance indicates the page on which to enter the accounts. Allow one-fourth of a page for each account, except Profit and Loss and Manufacturing, for each of which allow three-quarters of a page, and on page 16 allow one-fifth of a page for each account.

In the sales ledger (which is controlled by the Accounts Receivable account on the general ledger), beginning on page 24, open the following accounts, four to a page, and enter the balance as of November 30:

Arrow Electrical Co.	$ 7,331.89
Automatic Sales Corp.	2,846.46
Beacon Supply Co.	1,112.44
Conrubia, Inc.	16,823.56
Contal Electric Co.	2,649.01
Duplex Utilities Co.	6,910.65
Electric Devices, Inc.	203.10
Metro-Noma Co.	11,815.58
Nicoll & Co.	2,749.76
Simplex Signal Co.	139.16
Sundry Customers	23,196.30
	$75,777.91

The Sundry Customers account is used to secure volume of transactions without involving too great detail. It should be treated as an individual customer's account.

In the voucher register (which is controlled by the Vouchers Payable account on the general ledger), beginning on page 2, as of the dates given

below, make entry of the items listed below, numbering each voucher from 714 on. Enter the amounts in Vouchers Payable column and extend into Sundry Charges column, where charge Vouchers Payable.

Nov. 4.	Abaco Sales Co., 2/30, n/60	$ 9,902.30
12.	Brad Mfg. Co., 2/30, n/60	2,411.80
18.	Cureka & Co., 2/10, n/30	877.82
19.	Grabit Inc., 1/15, n/30	1,324.48
21.	McBride Supply Co.	8,384.22
26.	Stanley Electric Co., 1/15, n/30	1,946.79
30.	Sorterior Saks Co., 2/10, n/30	859.47
		$25,706.88

Total and rule but do not post either debit or credit.

In the notes receivable journal, enter the following notes:

No. 55, made by Electric Devices, Inc. in our favor, for merchandise, dated October 12, 19—, for 2 months at 6%, amount $1,953.

No. 71, made by Simplex Signal Co. in our favor, for merchandise, dated November 18, 19—, for 1 month at 6%, amount $1,050.

No. 48, made by Beacon Supply Co. in our favor, for merchandise, dated November 22, 19—, for 3 months at 6%, amount $2,675.49.

Total the "Amount" column and rule it off as this amount is already in your general ledger "Notes Receivable" account.

In the notes payable journal, enter the following notes and handle as for notes receivable above:

No. 17, favor Mechanics Bank for $7,000, dated October 15, 19—, at 2 months, discounted at 6%.

No. 21, favor of Edison Electric Corp., for $3,794, dated November 10, 19—, at 3 months, with interest at 6%.

The general and subsidiary books will now show the condition of business as of November 30.

2. The Bancroft Manufacturing Co. maintains warehouses in three sales territories: Eastern, Western, and Southern. Each branch maintains its own set of books and sends a report to the Head Office every 6 months.

On December 31, the following reports are sent to the Head Office from the branch.

	Eastern	Western	Southern
Sales	$1,500,000	$1,250,000	$ 800,000
Return Sales	30,000	50,000	10,000
Cost of Goods shipped to Warehouses	1,000,000	900,000	650,000
Finished Goods July 1	500,000	400,000	350,000
Finished Goods December 31	400,000	500,000	300,000
Shipping Expense to Warehouses	15,000	25,000	10,000
Sales Salaries	15,000	12,500	13,000
Advertising	50,000	30,000	40,000
Sales Commissions	60,000	50,000	30,000
Shipping Expenses	30,000	25,000	16,000
Taxes on Warehouses	2,000	1,000	600

	Eastern	Western	Southern
Office Salaries	$ 25,000	$ 20,000	$ 12,000
Insurance	7,500	5,000	3,500
Depreciation on Warehouses	800	800	800
Depreciation Furniture and Fixtures	150	150	150
Stationery and Supplies	5,000	4,500	4,000
Telephone and Telegraph	1,500	1,250	1,000
Bad Debts	10,000	10,500	12,000
Sales Discount	12,000	10,000	6,000
Interest Expense	2,000	3,000	5,000

(a) Draw up statements of profit and loss for each district and calculate the percentage which each item in the statement bears to sales.

(b) Which territory gives the best results?

(c) Make a consolidated statement of profit and loss for the period.

3. (*A continuation of Problem 2.*) The factory of the Bancroft Mfg. Co. is located at Long Island City. The cost records showing the cost of the goods shipped to the warehouses contain the following information:

Raw Materials Purchases	$1,600,000	Depreciation	$ 25,000
Raw Materials Purchase Returns	25,000	Insurance	15,000
In-Freight	85,000	Factory Supplies	20,000
Inventory of Raw Materials July 1, 19—	150,000	Taxes	10,000
Inventory of Raw Materials December 31, 19—	110,000	Machine Repairs	7,500
Direct Labor	550,000	Machine Tools	2,500
Light, Heat, and Power	25,000	General Repairs	15,000
Indirect Labor	75,000	Goods in Process, July 1, 19—	155,000
		Goods in Process, December 31, 19—	50,000

Draw up a manufacturing statement.

4. At the close of the fiscal period, the Grand Emporium takes inventory and collects the following data:

(1) Merchandise in store $264,321.50.

(2) Merchandise in warehouse $478,125.36.

(3) Merchandise in warehouse receiving room, opened and verified $6,790.14.

(4) Merchandise in warehouse receiving room, unopened, per invoices $4,651.82.

(5) Merchandise out on consignment $3,198.76.

(6) Merchandise out on approval $1,675.35.

(7) Sales orders on hand, awaiting filling and delivery $98,675.34.

(8) Purchase orders placed, acknowledged by vendor, but not shipped $9,876.54.

(9) Purchase orders placed but not yet acknowledged $3,456.78.

All prices given above are cost prices. Sales prices on items (5), (6), and (7) are respectively: $6,324.89, $3,975.57, and $201,379.54.

From the above determine the amount of the inventory to be entered on the books, giving reasons for exclusion of any items.

5. The branch manager of a corporation submitted the following profit and loss data to the board of directors:

Sales	$250,000	In-Freight	$ 5,000
Return Sales	15,000	Final Inventory	100,000
Opening Inventory	65,000	Selling Expense	35,000
Purchases	150,000	Administrative Expense	20,000
Purchase Returns	10,000		

The board was not entirely satisfied with the report and hired an auditor to investigate. In the course of his investigation, the auditor secured profit and loss data of previous years, showing as follows:

	1 year ago	2 years ago
Sales	$245,000	$255,000
Return Sales	13,500	17,500
Opening Inventory	60,000	65,000
Purchases	147,500	158,250
Final Inventory	65,000	70,000
In-Freight	5,000	5,000
Selling Expense	30,000	37,500
Administrative Expense	20,000	20,000

Upon comparison of the new report with the old ones, the auditor recommended that a detailed investigation be made.

You are asked to make an analysis of the above data and such recommendations as you consider necessary.

Assignment 33

1. (*A continuation of Assignment 32, Problem 1.*) Make record, under proper dates, of the transactions given below. Where needed, directions appear at the close of each assignment.

December

1. Received check from Arrow Electrical Co. for their balance of November 30, less 2% discount. Bought of Cureka & Co., 2/10, n/30, raw materials $1,952.41. Sold Automatic Sales Corp., 1/10, n/30, merchandise $1,810.99. Bought of Grabit, Inc., 2/30, n/60, adding machine $85.75; comptograph $105; office supplies $88.49.
2. Received credit memo from Abaco Sales Co. for defective raw materials, $282.41, to apply against their invoice of November 4. Paid Accident Insurance Co. $77.49 for one-year policy on delivery equipment. Paid bill rendered by Standish Hall for construction of a new slate roof on one of the factory buildings $1,592.50. Metro-Noma Co. paid their outstanding balance, less 2% discount.
3. Received letter from Metro-Noma Co. stating that two gross of diaphragms for which they had remitted were in an unusable condition; upon investigation, they were reimbursed by check for $47.60. Sold Beacon Supply Co., 1/10, n/30, merchandise $2,652.41. Sold Simplex Signal Co., 1/10, n/30, merchandise $2,024.51. Paid

Grabit, Inc., invoice of November 19, taking advantage of their terms.

4. Sundry Customers paid $12,793.80 on account. Automatic Sales Corp. paid balance of November 30. Contal Electric Co. paid balance of November 30, less 1%. Paid Abaco Sales Co. their invoice of November 4, deducting 2% discount. Drew payroll check for $2,423.55 (direct labor $1,324.51; indirect labor $172.33; salesmen's salaries $300.21; office salaries $245; shipping clerks $98; delivery clerks $105; factory superintendence $178.50).

5. Customers' returns were: Automatic Sales Corp. $12.03, to apply against invoice of December 1; Beacon Supply Co. $15.31, to apply against invoice of December 3; and Sundry Customers $15.60. Received credit memo from Brad Mfg. Co. for raw materials returned, amount $42.93. Received a 30-day 6% note from Conrubia, Inc. in full payment of their balance of November 30. The note includes interest in its face. Paid Delaware Lackawanna R.R. Co. $125.18; Andrew Carnegie for advertising $218.40; James Graybar for machine repairs $152.85; City of Delaware, Water Dept. $75.60; petty cash voucher $111.55 (telephone and telegraph $51.93; sundry office expense $10.27; sundry selling expense $16.95; sundry factory expense $22.40; donation $10).

6. Beacon Supply Co. paid balance of November 30, less 1%. Nicoll & Co. paid $700 on account. A 10-day sight draft for $6,910.65 is drawn on Duplex Utilities Co., which they accept. Bought of Stanley Electric Co., 1/10, n/30, shipping supplies $195.55. Sales were: Arrow Electrical Co., 1/10, n/30, merchandise $7,168.44; Conrubia, Inc., sight draft attached, merchandise $2,918.39 less 2%; Contal Electric Co., 1/10, merchandise $1,324.51; Sundry Customers $1,180.99. Filed claim with Delaware Lackawana R.R. Co. for $105 for raw materials consigned to us and lost in transit.

8. Paid McBride Supply Co. invoice of November 21; Stanley Electric Co. invoice of November 26, less 1%; Sorterior Saks Co. invoice of November 30, less 2%. A dividend of 7% was declared on the preferred stock and 9% on the common stock. Bought of Abaco Sales Co., 2/30, n/60, raw materials $4,010.39; Sorterior Saks Co., 1/10, n/30, factory supplies $82.05, office supplies $18.84; Stanley Electric Co., 1/15, n/30, shipping supplies $165.75. Paid Amos & Andy $132.10 for replacement of a piston in pumping machine #11.

9. Sold Automatic Sales Corp., 1/10, n/30, merchandise $1,292.36; Beacon Supply Co., 1/10, n/30, $884.69; Duplex Utilities Co., 1/10, n/30, $1,304.98; Electric Devices, Inc., 1/10, n/30, $117.75; Metro-Noma Co., 1/10, n/30, $1,627.42. Sundry Customers paid $1,135.98 less 2% discount. Simplex Signal Co. paid invoice of November 30, less 1%. Bought of Brad Manufacturing Co., 2/10, n/30, raw materials $1,740.39; shipping supplies $51.91. Paid Delaware Lackawana R.R. Co. $62.38 freight on raw materials, and $1.62 freight on shipping supplies. Paid Adam Rearson $95.22 for installing two iron joists in shipping room. A settlement in full on the basis of 40% of our claim was received in cash from one of our Sundry Customers who was forced into bankruptcy; he owed us $512.51; received notice from bank they had credited our account with proceeds of draft drawn on Conrubia, Inc.; bank charges were $1.75.

Instructions

December 1. Charge all supply purchases to the corresponding Sundry Expense accounts.

December 2. Hold credit memo for entry with purchase on December 8.

December 5. Be sure that you make a proper analysis of the note given to us by Conrubia, Inc. Date note December 5. Charge payment made City of Delaware Water Dept. to Sundry Factory Expense. Charge donation to Sundry Office Expense. Hold credit memo from Brad Mfg. Co. till Dec. 9 for entry. Dec. 7. Make no entry for claim filed with the railroad.

December 8. Make entry of dividend declaration only in general journal. Charge cost of piston replacement against depreciation reserve (assuming it has been made large enough). Such minor replacements are often charged to Repairs.

2. On August 18, 19—, Irving Samuels, Springfield, shipped to Local Bargain House, Worcester, goods costing $600, to be sold on consignment. On August 21, Local Bargain House received the merchandise, paying freight $40.12, insurance $12.70, and cartage $15. On August 28, Samuels draws a draft for $300 on Local Bargain House which is honored upon presentation. Bank charges were $1.50. On September 12, an account sales is rendered showing total sales of $900, allowances to customers $53.40, and a commission charge of 6%. Samuels remits with a check for the balance.

(a) Render an account sales.

(b) Draft the necessary journal entries to record the above transactions on the books of consignor and consignee respectively.

3. On October 21, 19—, Arthur Nathan, Oklahoma City, shipped on consignment to George Worth, Topeka, merchandise costing $364.81. On October 28, Worth receives the merchandise paying freight $21.18, and cartage $3.92. On October 29, merchandise from the consignment is sold on account to William Fox $112.12. On October 31, Drexel Riddle, New York, shipped on consignment to George Worth, Topeka, merchandise costing $789.46. Riddle pays cartage $15, freight $48.72, and insurance $21.17.

On November 6, Worth receives the merchandise paying cartage $12, and freight storage $1.25. On November 7, sale of merchandise is made from Nathan's consignment to Henry Edison $238.40. On November 8, sale of merchandise is made to Thomas Wilcox from Riddle's consignment $486.37. On November 9, cash sales from Nathan's consignment are $191.28; from Riddle's consignment $247.89. On November 10, Worth sells merchandise on account to William Fox from Riddle's consignment $284.48. Wilcox returns goods as unsatisfactory $28.92 which consignee returns to

consignor. Consignee pays freight $1.87, and cartage $.75. On November 12, George Worth renders an account sales to Riddle and Nathan, deducting in addition to all charges incurred a 5% commission on net sales. He remits with a check for the balance due Nathan. Riddle draws a sight draft on Worth for balance due him which is honored upon presentation.

(a) Make up an account sales.

(b) Draft the journal entries to record above transactions on the books of Worth, Nathan, and Riddle.

4. On December 15, R sent a consignment of merchandise costing $2,500 to S, prepaying freight and cartage $47.12, and insurance $5.50. S receives them on December 18, paying cartage of $6.75. On December 31, the end of his fiscal year, not having received an account sales, R requests of S a statement of the status of the consignment. S renders such a statement showing sales of three-fourths of the consignment at $2,800, commission 5%.

(a) Draft the entries on R's books to reflect the above.

(b) Draft the entries on S's books to reflect the above, assuming that it is also the close of his fiscal period.

Assignment 34

1. (*A continuation of Assignment 33, Problem 1.*) Under the dates shown, record the following transactions of the Home-Television Company.

December

10. Received check from General Electric Co., on account of our consignment-out #12, as follows: total sales net $778.49; commission 5% on net sales $38.92; cartage paid $8.05; and a 1% charge on net sales for guarantee of collection of accounts $7.78. Automatic Sales Corp. paid our invoice of December 1, less 1% discount. Sundry Customers returned merchandise $19.73. An order was placed with the Westinghouse Electric Co. for a new generator to cost $3,703 f.o.b. our factory. Factory supplies costing $26.93 were used in shipping dept. A check for $125.39 given to us by a Sundry Customer and deposited in our bank on December 9, was returned, marked N.G. Sold Nicoll & Co., 1/10, n/30, merchandise $1,028.49. Bought of The Standard Boimel Co., 2/10, n/30, 2,875 gallons fuel oil $201.25. Received $34.09 from Walker Harden for sale of scrap.

11. Drew payroll check for $2,634.42 (direct labor $1,418.66; indirect labor $283.59; salesmen's salaries $300.21; office salaries $245; shipping clerks $98.56; delivery clerks $105; factory superintendence $183.40). Sold merchandise to Sundry Customers, 1/10, n/30, $83.43, from consignment sent to us by James Fitch. Rendered an account sales to James Fitch as follows: total sales net $411.25; cartage $8.40; commissions 5% on net sales $20.56; 1% charge for guaranteeing collection of accounts $4.11; check was enclosed for balance due. Received a check for $54.60 from the Delaware Lackawana R.R. Co. in full settlement of our claim against them, which we accepted. Paid Brad Manufacturing Co. invoice of November 12, less 2%; Cureka & Co. invoice of December 1, less 2%; Grabit, Inc. invoice of December 1, less 2%.

12. Nicoll & Co. paid $1,749.76 on account. Electric Devices, Inc. paid their note with interest. Bought of McBride Supply Co., 2/15, n/30, raw materials $943.49; factory supplies $138.62; shipping supplies $28.83. Drew check for $97.09 to reimburse petty cash fund (sundry office expenses $12.05; telephone and telegraph $17.82; delivery expense $13.24; sundry selling expense $18.99; sundry factory expense $34.99.) Paid Amos & Andy $34.23 for machinery repairs; Latest Print $107.80 for advertising; and Harvey & Lewis $133 for insurance on machinery.

13. Sold Arrow Electrical Co., 1/10, n/30, merchandise $1,324.89; Electric Devices, Inc., 1/10, n/30, merchandise $85.68; Sundry Customers, 1/10, n/30, merchandise $832.39. Received a consignment of arc rectifiers from James Fitch to be sold on a 5% commission basis; we are also to receive an additional commission of 1% on net sales for collection of accounts; the consignment was billed to us at $658. Beacon Supply Co. paid their invoice of December 3, less 1%. Simplex Signal Co. returned merchandise $29.18 to apply against our invoice of December 3. Received a check from R. G. Dun & Co. for $49.85 which they had collected from a Sundry Customer; the original bill was $59.85, but they deducted $10 for their services.

15. Paid our note due today at Mechanics Bank. Received $15,500 from sale of Liberty bonds which originally cost $15,000. Paid Delaware Lackawana R.R. Co. freight on consignment from James Fitch $28.85. Nicoll & Co. returned merchandise $18.99 to apply against invoice of December 10. Received $10 from Adam Hussey for two old truck tires. Delivery is made of the generator ordered on the 10th, cost $3,703, payment is made by giving a check for $2,303, and one of our old generators is accepted for the balance. (Old generator originally cost $2,800 and has been in use 2 years prior to this period. Take into account accrued depreciation for 11½ months at the rate of 9% per annum.)

16. Duplex Utilities Co. honored our draft of December 6. Discounted our 60-day note for $7,000 at Mechanics Bank, interest rate 6%. Paid dividends declared on December 8. Received $85 from Standish Hall as an allowance for defects in slate roof which he had constructed. Sundry Customers returned merchandise $12.71.

17. Shipped on consignment to General Electric Co. merchandise costing us $691.27, to be sold on an 8% commission basis. Prepaid freight charges amounted to $20.07. Sold Automatic Sales Corp., 1/10, n/30, merchandise $847.26; Beacon Supply Co., 1/10, n/30, mer-

chandise $641.49; Conrubia, Inc., 1/10, n/30, merchandise $2,533.49; Contal Electric Co., 1/10, n/30, merchandise $627.40. Sundry Customers returned merchandise $9.40. Paid Cureka & Co. their invoice of November 18.

18. Simplex Signal Co. paid their note of November 18, with interest. Paid Sorterior Saks Co. invoice of December 8, less 1%; Stanley Electric Co. invoice of December 8, less 1%. Electric Devices, Inc. paid balance of November 30, less 1%; inasmuch as the discount period has elapsed, we credit their account in full and send them a debit memo for the amount of discount taken. Drew payroll check for $2,534.39 (direct labor $1,377.76; indirect labor $241.61; salesmen's salaries $295.52; office salaries $245; shipping clerks $94.50; delivery clerks $105; factory superintendence $175).

Instructions

December 10. Credit sale of scrap to Sundry Factory Expense.

December 11. Note that the cartage item of $8.40 in the Fitch account sales has already been brought onto the books. Of course, it must be taken into consideration when calculating the net proceeds for remittance to Fitch.

Credit Raw Materials Purchase Returns and Allowances with receipt from Delaware Lackawanna R.R. Co.

December 15. Credit Delivery Expense with receipt from Adam Hussey.

2. The X corporation make petty cash expenditures by the "imprest system." On March 1, 19—, a check is drawn for $150 to create the fund. Expenditures from the fund were as follows:

Mar. 1. Stationery and Printing	$22.50	Mar. 19. Towing delivery car	$ 3.00
4. Repairs to desk	12.75	21. Alms	1.00
8. Stamps	4.50	24. Labor	26.50
13. Delivery expense	11.82	28. Labor	22.00
17. Lunch money	15.00	29. Typewriter repairs.	4.50

On March 30, the petty cashier turns over his receipted bills for the above amounts to the general cashier, who issues a check to replenish the fund.

(a) On unruled paper, draw up a form of petty cash book and enter all given expenditures.

(b) Summarize, rule, and balance the petty cash book.

(c) Post summary entries.

(d) How would the petty cash fund appear on the general ledger?

(e) If the petty cash book is kept merely as a memorandum book, set up the entry in the general cash book needed to summarize the petty expenditures.

(f) Give general journal and general cash book entries, if the petty expenditures are summarized in the general journal. Assume the petty cash book is kept merely as a memorandum.

3. On January 1, 19—, Ezra Berger has a balance of $1,500 in the Mechanics Bank. On February 1, his bank statement shows that he has overdrawn his account $2,027.46. A check for $750 was not deposited. Outstanding checks are as follows:

Check #14	$ 86.70	Check #38	$ 4.86
Check #37	840.00	Check #41	228.60

Total checks issued during January amounted to $10,368.75.

(a) Show total deposits for month of January.

(b) Prepare a reconciliation statement.

(c) Give cash book balance.

4. On July 1, 19—, the bank statement of Alfred Blane shows a balance of $8,821.84. Outstanding checks are as follows:

Check #B125	$300.00	Check #B119	$640.00
Check #B121	50.40	Check #B97	188.40

A note discounted at the bank on July 13, net proceeds $3,840, was not recorded on Blane's books. On July 21, the bank collected a draft for $1,058 and deducted charges of $1.60. This latter transaction also did not appear on the books. Cash entered in check book as deposited on July 31 but which was not deposited until the following day, amounted to $1,400. Cash on hand amounted to $751.68. Cash receipts for the month are $40,634.76 and cash disbursements $44,658.28.

(a) Prepare journal entries to correct books.

(b) Prepare bank reconciliation as of July 31, 19—.

(c) Find correct cash balance giving all calculations necessary.

Assignment 35

1. (*A continuation of Assignment 34, Problem 1.*) The remaining transactions for the month of December have been summarized in most instances and are given below. In making record, use the dates given, or December 31 where none are given.

VOUCHER REGISTER. Bought raw materials $15,764.84; factory supplies $152.03; office supplies $122.44; shipping supplies $224.74. Purchase discount was $158.30; freight-in on purchases $132.98; payroll, direct labor $1,587.70, indirect labor $222.05, factory superintendence $337.52; building repairs and maintenance $78.66; machinery repairs $68.91; heat, light and power $487.72; sundry factory expense $89.03; salesmen's salaries $302.56; advertising $358.68; shipping and delivery expense $168.92; sundry selling expense $19.24; office salaries $245; sundry office expense $16.88; telephone and telegraph $68.84; collection expense $202.10; insurance $105.42; legal expense in defending title to factory land $150; raw materials purchase returns $198.91. Constructed a new cement platform from factory to adjoining railroad siding at a cost of $1,200.

SALES JOURNAL. All terms 1/10, n/30. Arrow Electrical Co. $1,279.32; Conrubia, Inc. $648.99; Duplex Utilities Co. $362.75; Metro-Noma Co. $715.52; Nicoll & Co. $2,124.22; Simplex Signal Co. $260.07; Sundry Customers $24,675.17.

Sales returns from Sundry Customers $152.06.

CASH BOOK. Arrow Electrical Co. paid invoice of December 6; Automatic Sales Corp. invoice of December 9, less 1%; Beacon Supply Co. invoice of December 9, less 1%; Sundry Customers $8,643.73, less $62.58. Received $67.99 from sale of spoiled materials and $50 from Accident Insurance Co. for damage done to one of our trucks. The latter receipt was $25 in excess of cost to us. Disbursed for vouchers payable $20,833.53, less purchase discount of $112.14.

NOTES RECEIVABLE JOURNAL. Received a 30-day 6% note, due January 24, from Arrow Electrical Co. for invoice of December 13 less discount.

GENERAL JOURNAL. Sold Sundry Customers merchandise from consignment of James Fitch $163.91. Office supplies taken from stock to the amount of $62.80 were used by shipping department.

Instructions

Voucher Register. For the sake of saving space, run all these transactions through on one voucher, using just one line for the entry, except in Sundry column, where use as many as needed. Omit purchase discounts.

Cash Book. Where discounts are taken make record as of due date. Credit receipt from sale of spoiled materials to Sundry Factory Expense.

2. On January 8, Diamond & Schonwald receive from M. A. Furman a 60-day non-interest-bearing note, dated December 24, for $750 to apply on account. They discount it at 7%.

Journalize the transactions.

3. On January 18, a 60-day 6% note for $350, which Diamond & Schonwald hold from James L. Mohr, is renewed. Mohr gives them a new 60-day 6% note for $200 and a check for the balance of the note and interest due. Journalize.

4. At maturity the new note of Problem 3 is dishonored and protest fees are $1.50. Make the necessary journal entries.

5. Burnside Winslow owes Diamond & Schonwald $1,276.54 on open account. On January 20, 19—, he draws a 10-day sight draft on Marvin Stevens for the above amount and sends it in settlement of his account. Stevens accepted the draft January 24, payable at the Chase National Bank.

(a) Prepare a copy of the draft with the acceptance.

(b) Give journal entries on books of drawer, drawee, and payee.

6. On October 25, 19—, Diamond & Schonwald purchase 100 shares of X stock at $80; 100 shares of Y stock at $73; 100 shares of Z stock at $92; and 50 shares of W stock at $61. Brokerage charges are 12½ cents per share. On December 31, the market value of the X stock is $79; the Y stock $71; the Z stock $91.50; and the W stock $64.

(a) Give entries at time the stocks are purchased.

(b) Give any adjusting entries necessary on December 31, 19—.

7. On December 31, 19—, the directors of the X Co. declare a dividend of 25 cents per share.

(a) Give entry on the books of Diamond & Schonwald at time dividend is declared.

(b) Give entry at time dividend is received.

8. A $1,000 bond, bearing 5% interest payable semi-annually and dated January 1, 19—, is purchased on March 15, 19—, at par and accrued interest.

(a) Give journal entry at time bond is purchased.

(b) Give journal entry at time first interest payment is received.

9. Diamond & Schonwald purchase as a temporary investment, on February 5, 19—, 10 bonds of the N. Y. C. R. R. Co. for $10,700, and 5 bonds of the Penn. R. R. Co. for $4,600. The bonds bear 4½% interest, payable semi-annually on June 30 and December 31, and have 10 years to run. On March 16, the bonds are sold at 107½ and 91⅛ and accrued interest respectively.

(a) Give entry at time bonds are purchased.

(b) Give entry at time first interest payment is received.

(c) Give entry at time bonds are sold.

Assignment 36

1. (*A continuation of Assignment 35, Problem 1.*) Summarize and post completely all books of original entry. Be careful, in summarizing, to handle extraneous items correctly.

Take a trial balance of the general ledger, recording it in the first two columns on pages 14 and 15 of the Voucher Register. Prove your sales ledger and record the proof, following the general ledger trial balance, by making a list of the accounts and show the list total as agreeing with the controlling accounts.

Instructions

In setting up the trial balance, enter all accounts—whether needed for this trial balance or not—in the order in which they are carried on the general ledger. Leave bottom and top lines of each page free for totals and forwarding where necessary.

2. X has been accustomed to overextend his credit. Accordingly his account is watched carefully. His credit limit is $1,500 and an order for $1,000 has just been received from him. Investigation shows that an order from him for $375 is in process of being filled; that he now owes us $425, of which $75 is past due; and that a sales invoice is being mailed to him today covering a recent purchase of $525.

Will you as credit manager accept or reject his latest order? (Give the basis for your decision.)

3. The George Philips Co. sells goods on terms 2/10, n/30. Its credit sales for the past year were $450,000, on which discounts taken amounted to $4,125. At the beginning of the month, accounts receivable were $42,500; at the beginning of the year they were $30,000 and at its end $53,000. Of those outstanding at the beginning of the month, $3,600 remained uncollected at the end of the month. Rejected orders for the year have been $54,000, and actual bad debt losses $2,400.

(a) What per cent of the discounts offered were taken?
(b) What was the per cent of bad debts loss?
(c) What was the rate of turnover of receivables?
(d) Figure the per cent of rejections.
(e) Compute the collection percentage—i.e., the part of the outstandings at the beginning of the month collected during the month.
(f) What is the average number of days' sales outstanding at the end of the year?

4. The net profit of the XYZ Co. was 7% of the sales, which amounted to $1,000,000. Bad debts amounted to ½% of the sales. In order to achieve this result, however, the credit manager was very strict in extending lines of credit and he rejected sales orders amounting to $100,000. To what extent could the percentage of losses increase without a decrease in the net profits of the company, assuming that the rejected orders had been accepted?

5. The Apex Manufacturing Co. has suffered severe losses from bad debts due to a too liberal credit policy. The operating statements of the customers were requested so as to give a base for the extension of credit.

	Customer A	Customer B	Customer C
Sales	$35,000	$38,000	$25,000
Cost of Sales:			
Opening Inventory	$ 8,000	$ 9,000	$ 7,000
Purchases	24,000	28,000	16,000
Final Inventory	7,000	11,000	5,000
Gross Profit	$10,000	$12,000	$ 7,000
Selling Expense	$ 3,000	$ 3,500	$ 1,500
Financial and Administrative Exp.	4,000	4,500	2,000
Net Profit	$ 3,000	$ 4,000	$ 3,500

The sales records of the Apex Co. indicate that Customer A purchased $600; Customer B $700; and Customer C $400. The excess of current assets over current liabilities is as follows: Customer A $10,000; Customer B $9,000; and Customer C $7,500.

On the basis solely of the above information, determine the maximum amount you would fix as a guide in setting the limit of credit to be extended.

Assignment 37

1. (*A continuation of Assignment 36, Problem 1.*) Prepare a work sheet for the year ending December 31, 19—, using adjustment data below.

Using the work sheet as a guide, draw up a condensed balance sheet and profit and loss statement.

Support both balance sheet and profit and loss statement with properly set-up schedules.

Also draw up a statement of surplus for the current year.

(1) Inventories: finished goods $38,693.36; goods in process $30,014.89; raw materials $17,978.73; factory supplies $689.60; office supplies $513.02; shipping supplies $795.48.
(2) Estimate of doubtful accounts: ½% of net sales.
(3) Calculate depreciation at the yearly rate given: factory buildings and fixtures 4%; office furniture and fixtures 10%; delivery equipment 20%; machinery 9%; patents 1/17; tools inventory $1,111.25. In each case use the gross balance—i.e., not including depreciation reserve—of the account as the percentage basis.
(4) Accrued income: interest $459.40; commission on consignment-in 6%.
(5) Unexpired insurance $2,436.25.
(6) Accrued expenses: direct labor $1,128.50; indirect labor $204.53; factory superintendence $159.40; building repairs and maintenance $77; machinery repairs $35.28; light, heat, and power $56.35; sundry factory expense $29.51; sales salaries $273; advertising $87.29; shipping and delivery expense $172.76; office salaries $217; telephone and telegraph $28.42; bond interest cost $146.02; taxes $83.44.
(7) Prorate the following expenses departmentally: (a) Depreciation of factory buildings and machinery: 80% to manufacturing, and 10% each to selling and general office. (b) Light, heat, and power: 80% to factory, 8% to selling, and 12% to office. (c) Building repairs and maintenance: 80% to factory and 10% each to selling and office. (d) Insurance: 60% to factory, 30% to selling, 10% to office.
(8) Amortize bond discount $234.38.
(9) The sinking fund requirements of the bond indenture stipulate the payment of $3,750 annually into a sinking fund and the creation of a reserve for a like amount. Adjust the Reserve to agree with the Fund account.
(10) In the statement of profit and loss, show profit and loss from sale of fixed assets and investments in the Non-Operating section.
(11) In answer to our request, General Electric Co. submitted the following information regarding our recent consignment to them: sales to customers $527.28; expenses paid by them, freight and cartage $47.19; insurance $13.12. A formal account sales will

not be rendered until completion of sales of entire consignment. The sold merchandise reported above has an original cost value of $276.51. The consignment was on an 8% commission basis.

(12) Deferred Income: Interest $11.22.

Instructions

The student is here referred to Chapter 30 of the text as to the form of work sheet and statement, and to Chapter 28 for the method of adjusting and closing the books of a manufacturing and trading concern.

Be careful to record claim against the consignee. Charge 40% of all the consignment expenses against the income to be taken into consideration for this period. Do not forget to defer into next period the proper portion of consignment expenses as well as the inventory value of the unsold portion of consignment merchandise. The new section of the consignment account will show the value of goods still on consignment which latter will be included with the merchandise inventory on the balance sheet. In closing the books, however, inasmuch as this consignment inventory is already shown in the Consignment account, only inventories of merchandise in the company's possession will need to be set up in the regular inventory accounts.

2. An analysis of the customers' records of John Philipson & Co. for several years past shows that the actual bad debts loss has been about ¼% of net sales. It also shows that, although the net credit period on sales is 60 days, on the average 80 days' sales have been outstanding. On December 31, last year, the outstandings were $120,000 with a reserve of $4,000, the net sales for the year having been $560,000. After a careful aging and examination of the sales ledger balances, it was decided that for the future the uncollectible accounts need not exceed ½% of net sales, particularly in view of a more vigorous collections policy. To keep the new experience data separate from the old, it is decided to close out to Surplus the balance of the reserve, and to charge against Surplus all uncollectible customer accounts previous to December 31.

During the year, customers' balances relating to last and previous years, amounting to $7,600, were declared uncollectible. Similar balances of the current year amount to $2,500. At the close of the current year, outstandings are $105,000 and net sales for the year have been $650,000.

(a) Make the necessary journal entries to record the above transactions and determine the value at which customers' accounts should be set up on the current balance sheet.

(b) On the basis of the current year's experience, is the present bad debts reserve policy satisfactory?

3. The bookkeeper's balance sheet shows the asset, cash, as $12,000. During the annual audit, it was discovered that the cash balance consisted of: stamps $25; paid expense vouchers $200; undeposited checks $350; cash deposits belonging to employees $2,000; I.O.U.'s $100; checks returned by bank as uncollectible $800; cash on time certificates of deposit $1,000; cash

$6,825; and balance $700 in special account for paying bond interest coupons.

(a) Indicate how you would show the above items on the balance sheet.

(b) Set up the journal entries you think desirable to adjust the books in accordance with the above information.

4. On December 31, 19—, the following information relative to the Davidson-Gregory Company is available:

Insurance policy for 2 years, dated September 1, 19—, $60; rent due but not received $100; a non-interest-bearing 90-day note for $5,000 discounted at bank December 1, 19—, at 6%; salaries due salesmen but not paid $500; a customer's 3-month 7% note for $2,000, discounted at bank at 6% one month before maturity, has 15 days yet till maturity.

Draft entries necessary for proper record previous to closing the books.

5. A machine costing $12,000 was estimated to have a life of 12 years with a residual value of $1,500. At the close of each year, a charge of $875 was made to Depreciation, and a like amount credited to Depreciation Reserve Machinery. Just prior to closing the books at the end of the 12th year, the machine was discarded and sold for $2,000 (cash) and a similar machine was bought, costing $16,000.

Show the journal entries you would frame to make the proper record.

Assignment 38

1. (*A continuation of Assignment 37, Problem 1.*) Adjust and close the books in accordance with the data given in Assignment 37. Use the work sheet and statement of profit and loss, with its schedules, as a guide. Use the single-account method for expense and income adjustments, except for supplies and insurance.

2. Draft an organization chart for a hypothetical business—or one with which you are intimately familiar—to show the major divisions and the main sections under each division. Do not show the subdivisions of the controller's department as that is required in the next problem.

3. Draft a detailed organization chart of the controller's department of Problem 2 to show how it fits into the other functional departments.

4. The Marston Manufacturing Co., due to an expansion of its markets, finds itself short of working capital. It is revising its credit policies in an effort to meet the situation. Credit limits of customer accounts come up for consideration and an analysis supplies the following data:

(1) Average outstanding balances of customer accounts for the past 3 years have been, respectively, $95,000, $110,000, and $140,000.

(2) Total credit sales for the same years have been, respectively, $975,000, $1,150,000, and $1,250,000.

(3) Sales to Customer A, present credit limit $500, have been $4,000, $5,000, and $3,000. Sales to Customer B, present credit limit

$750, have been $9,000, $11,000, and $16,000. Because of expanding markets, the company decides to hold available, for such expansion during the coming year, $25,000 of its present working capital.

Assuming that the above facts are the only ones to be considered, what revision, if any, would you make in the credit limits of A and B? Show your computations.

5. The Y Co. estimates their sales for the first 3 months at $1,000,000. All sales terms are net 30 days. On the basis of this estimate, purchase contracts were signed for $850,000 on net 30-day terms.

The balance sheet on January 1 was as follows:

Cash	$ 50,000	
Accounts Receivable	75,000	
Inventory	100,000	$225,000
Notes Payable	$ 25,000	
Accounts Payable	50,000	75,000
Capital		$150,000

The sales turned out as estimated but collections fell behind the credit terms and only $700,000 was collected, including $75,000 of the accounts receivable outstanding at the beginning of the year.

Approximately, how much did the Y Co. have to borrow in order to meet its obligations and to enable it to carry its customers?

Assignment 39

1. (*A continuation of Assignment 38, Problem 1.*) Take a post-closing trial balance of the general ledger and record it in the third and fourth columns of the Trial Balance section of Voucher Register, pages 14–15.

2. The following data are taken from the books of the Sharten-Robin Co. for the year 19—:

	Sales at Selling Price	Purchases at Cost	Initial Inventory
January	$50,000	$38,150	$25,000
February	70,000	49,450	28,150
March	75,000	54,875	28,600
April	60,000	46,125	30,975
May	55,000	46,250	35,100
June	65,000	37,625	42,850
July	50,000	34,500	34,975
August	70,000	59,875	34,475
September	75,000	54,625	45,350
October	70,000	36,750	47,475
November	80,000	53,875	35,225
December	85,000	54,250	33,100
January (Est.)	55,000		27,850

Gross profit on sales averages 30%. On the basis that the sales are spread evenly over each month and that it takes one week for a purchase to arrive after the order is mailed, the usual buying practice would fix the normal amount of the inventory at the end of each month at a figure sufficient to cover the sales for the first 2 weeks of the following month. For convenience assume 4 weeks to a month.

(a) Compute the normal purchases and normal inventories for each month and list in tabular form.

(b) Using coordinate or cross-section paper, make a graphical comparison of: (1) actual and normal purchases; (2) actual and normal inventories; (3) actual cost of goods sold and sales.

3. The Cowles Soap Co. estimates its sales to increase 5% each month over the previous month for the year 19—. The sales for the month of January, 19—, were $20,000. At the end of the year, it is found that its sales actually increased as follows: February 6%, March 7%, April 4%, May 2%, June 9%, July 7%, August 4%, September 6%, October a decrease of 2%, November increase 8%, December 4%.

(a) Compute the amounts of estimated and actual sales and list in tabular form.

(b) Show both graphically.

4. Using the list of accounts for the Home Television Co. on pages 781 to 782, make a numerical classification or chart of accounts.

5. Under the general classification of Expense, subdivision #624, Advertising, construct a classification of subsidiary accounts to cover the following sections:

(a) Research and Statistics
(b) Accounting Records and Reports
(c) Advertising Autos
(d) Advertising Trucks
(e) Advertising Refrigerators
(f) Pamphlets and Posters
(g) Administration

Under section (f), provide subclasses to cover: (1) autos, (2) trucks, and (3) refrigerators.

Under each of sections (c), (d), and (e), provide for: (1) periodical, (2) outdoors, and (3) exhibits and shows.

Under each of the other sections provide for: (1) salaries, (2) supplies. and (3) general.

Assignment 40

1. The following data are taken from the books of the Static Manufacturing Corporation for the past 2 years. Increases in capital stock resulted from the payments of stock dividends. Land was written up $25,000 during the year.

	Adjusted Trial Bal. Dec. 31, Current Year		Adjusted Trial Bal. Dec. 31, Last Year	
Cash	$ 25,000		$35,000	
Notes Receivable	10,000		12,000	
Accounts Receivable	140,000		115,000	
Res. for Doubtful Accts.		$ 12,500		$ 7,000
Finished Goods, Jan. 1	50,000		45,000	
Goods in Process, Jan. 1	40,000		40,000	
Raw Materials, Jan. 1	45,000		35,000	
Investments	35,000		30,000	
Interest Income Accrued	1,000		700	
Insurance Unexpired	6,000		7,500	
Office Furn. and Fix.	5,500		5,000	
Deprec. Res. Office Furn. and Fix.		2,000		1,500
Delivery Equipment	9,000		12,000	
Deprec. Res. Del. Equip.		2,500		3,000
Factory Land	75,000		50,000	
Plant and Equipment	390,000		350,000	
Deprec. Res. Plant & Equip.		135,000		100,000
Patents	90,000		100,000	
Goodwill	150,000		150,000	
Notes Payable		11,000		15,000
Vouchers Payable		30,000		45,000
Interest Cost Accrued		600		500
Bonds Payable		100,000		100,000
Capital Stock Pref. (7% Cum.)		121,000		100,000
Capital Stock Common		240,000		200,000
Surplus		364,200		339,100
Sales		512,200		501,900
Sales Ret. and Allow.	4,000		4,500	
Raw Materials Purchases	245,000		235,000	
Raw Materials Purchase Ret. and Allow.		2,000		2,800
Freight-in on Raw Materials	6,000		4,800	
Direct Labor	83,000		81,000	
Indirect Labor	12,000		13,000	
Factory Superintendence	7,500		7,000	
Bldg. Repairs and Maint.	5,000		4,000	
Machinery Repairs	4,500		3,500	
Light, Heat & Power (Fac.)	6,500		6,000	
Sundry Factory Expense	1,500		800	
Salesmen's Salaries	12,000		9,500	
Advertising	6,000		5,000	
Delivery Expense	5,500		5,000	
Sundry Selling Expense	2,000		1,500	
Salaries Office	7,500		7,000	
Depreciation (Factory)	32,800		23,100	
Taxes (Factory)	7,300		7,000	
Telephone and Telegraph	4,000		3,500	
Sundry Office Expense	900		1,200	
Interest Cost	5,000		4,500	
Bad Debts	5,500		2,500	
Sales Discounts	2,200		1,900	
Interest Income		3,000		1,800
Purchase Discount		1,200		900
	$1,537,200	$1,537,200	$1,418,500	$1,418,500

Inventories December 31, current year, were: finished goods $55,000; goods in process $45,000; raw materials $40,000.

Required:

(a) A comparative balance sheet with percentage analysis.

(b) A comparative statement of profit and loss in condensed form, supported by comparative schedules of Cost of Goods Sold, Cost of Goods Manufactured, and of the various classes of expenses. Show percentage analyses of all of these in accordance with the method illustrated in the text.

(c) A statement of funds and their application.

(d) A statement of cash receipts and disbursements in accordance with the method shown on pages 614–616 of the text.

(e) Compute the following ratios for both years: (1) merchandise turnover; (2) working capital turnover; (3) capital turnover; (4) current ratio; (5) fixed ratio; (6) net sales to receivables; (7) earnings per share of common stock.

Date Due			
Oct	6		
Mar 4			
NOV 21	1945		
11/28			
AUG 7	1947		
~~Jul 28 '53~~			

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